MONDAY, 6 JANUARY 2020
20 pages in 2 section
MUMBAI (CITY)
₹9.00
VOLUME XXIV NUMBER 102

www.business-standard.com

Business Standard

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

How markets performed last week

	Index on Jan 3, '20	*One-week	% chg over Dec 31, '18 Local currency	in US $
Sensex	41,465	-0.3	15.0	11.7
Nifty	12,227	-0.2	12.6	9.4
Dow Jones	28,635	0.0	22.8	22.8
Nasdaq	9,021	0.2	36.0	36.0
Hang Seng	28,452	0.8	10.1	10.8
Nikkei (Dec 30)	23,657	-0.8	18.2	19.1
FTSE	7,622	-0.3	13.3	16.2
DAX	13,219	-0.9	25.2	21.9

*Change (%) over previous week — Source: Bloomberg

PERSONAL FINANCE P13
SECONDARY MARKET BUYING OF GOLD BONDS ISN'T EASY

STRATEGY P8
TRAVELLING IN THE SHADOW OF A SLOWDOWN

VIOLENCE AT JNU AS MASKED MEN ATTACK STUDENTS, TEACHERS

Violence broke out at Jawaharlal Nehru University (JNU) on Sunday night as masked men armed with sticks attacked students and teachers and damaged property on the campus, prompting the administration to call in police. At least 18 people were injured and admitted to the All India Institute of Medical Sciences. 6

BACK PAGE P14

Power bill over ₹1 lakh? Can't use ITR-1 form

The income-tax department on Sunday notified two income-tax returns (ITRs) for assessment year 2020-21 three months in advance, bringing more individuals into the mandatory return filing net. The department notified ITR 1-Sahaj and ITR 4-Sugam in January against the usual practice of notifying returns in April, with disclosure requirements related to cash deposits, spending on foreign travel, and electricity.

COMPANIES P2

Bankers plan escrow account for Suzlon

Throwing a lifeline to debt-ridden Suzlon Energy, the lenders to the company have finalised a resolution plan. Sources said barring one bank, all lenders are ready to convert more than 50 per cent debt into new debt, with the rest being unsustainable debt. **SHREYA JAI** writes

BS SPECIALS — ON MONDAY

BANKER'S TRUST: Five banking trends for the new year 6
This could be a year of higher NPAs, more recovery, relatively strong bank balance sheets, low credit growth, and better-managed cooperative banks. **TAMAL BANDYOPADHYAY** writes

POLITICS & PUBLIC AFFAIRS: It's a catch-22 10
Future uncertain for the Asom Gana Parishad after protests against the amended citizenship Act rupture Assam. **RADHIKA RAMASESHAN** writes

STATSGURU: The valves of infrastructure pipeline 4

TO OUR READERS
The four-page commercial feature on *Republic TV*, being carried as a separate section, is equivalent to a paid-for advertisement. No *Business Standard* journalist was involved in producing it. Readers are advised to treat it as an advertisement.

I-T Act may allow seizure of trustees' personal assets

The new provision is likely to come in Union Budget next month

SHRIMI CHOUDHARY
New Delhi, 5 January

The Union Budget is likely to have a provision to make trustees liable in the case of violation of charitable trust norms linked to tax exemptions or registration of entities.

The new provision under the Income-Tax (I-T) Act may enable the authorities to seize trustees' personal assets if there's a breach of objectives governing registered charitable trusts, a source in the government said. This is being considered when Tata Trusts is contesting a recent tax department ruling on a related matter.

RUN-UP TO THE BUDGET 2020-21

At present, in the case of any such violation, the onus is only on trusts as an institution and not on trustees. The new provision is likely to be part of the Finance Bill, 2020.

"Public trusts have become the easiest route to launder money due to lack of governance and proper monitoring. The operation of trusts is mostly opaque and there's no system to track them," according to the source.

Since these trusts also receive funds from genuine people, the managers of these trusts should be questioned and held liable for not fulfilling the objectives, he explained. The government is also contemplating putting a threshold limit between 5 and 10 per cent of income for foreign donation by charitable trusts or non-profit institutions. Currently, there's no such cap and trusts can claim exemption if the activities are under Section 11 (1) of the I-T Act (to promote international welfare where India is interested). However, certain charitable trusts are claiming exemption even for those foreign donations which don't fall under the category.

Further, the government is learnt to have sought opinion on bringing a level playing field for charitable institutions which are enjoying tax exemption based on their year of establishment. This could be done by inserting a sunset clause by providing three years to wind up investments, for instance, an official pointed out. Currently, the I-T Act has different dates for modes and forms of investment made on or before 1952, 1973, 1982, and so on.

There are trusts which continue to hold investments made prior to 1973, another source said, highlighting the issue. "It was observed that there is nothing on record to show that investments were made from corpus/income of these trusts in 1973 or before. It was also noted that the corpus fund of the trusts is being utilised to control the businesses of group companies through a majority stake in them, instead of using them for charitable purpose," he said.

Exemptions are available to various trusts under different forms and modes for investing funds and hence to be treated differently, making tax assessment difficult, according to tax experts. Turn to Page 5

TIGHTENING THE NOOSE

ILLUSTRATION: AJAY MOHANTY

- **Review of provisions for exemptions** to trusts from specific date applied
- **Sunset clause will provide three years** to unwind investments
- **Liability should be on trustees** where provision of Income-Tax Act is not complied with
- **Trustees are legal owners of trusts' assets** and act in the best interests of beneficiaries
- **They ensure compliance** with the terms of trusts' deed
- **Beneficiaries are owners** of trusts' assets
- **Cap of 5-10% of income** could be levied for making foreign donations
- **Trustees not be granted tax exemption,** if foreign donation does not serve the purpose

Not interested in returning as Tata chairman: Mistry

But says he will protect the rights of minority shareholders for board seat

DEV CHATTERJEE
Mumbai, 5 January

The former chairman of Tata Group, Cyrus Mistry, on Sunday said he was pursuing all options to protect the Shapoorji Pallonji (SP) Group's rights as a minority shareholder, including the right to a seat on the Tata Sons board, but that he is not interested in going back to Bombay House (Tata Group headquarters) as chairman of Tata Sons.

The SP Group owns 18.5 per cent in Tata Sons and is fighting the Tata Sons, the holding company of Tata Group, since Mistry was ousted as chairman in October 2016.

BUSINESS LAW P11
IS TATA SONS A 'QUASI-PARTNERSHIP'?

"In the last three years, both in conduct and in their statements to the world at large, Tata Group's leadership has shown scant respect for the rights of minority shareholders. It is time the group's management introspected and reflected on its conduct as it embarks on future actions," Mistry said on Sunday.

Mistry said he was not pursuing the top post at Tata Sons, but wanted Tata Sons to follow the highest standards of corporate governance and transparency.

Mistry added that he was not keen to take over as director of Tata Consultancy Services, Tata Teleservices, and Tata Industries as ordered by the National Company Law Appellate Tribunal (NCLAT). Turn to Page 5

BEING CYRUS: WHAT'S MISTRY'S TAKE?

- **Walking the talk** to uphold corporate governance
- **Protecting minority shareholders' interest** of Tata Sons
- **Not a quest** for position or power
- **Not seeking** Tata Sons chairmanship
- **Not keen to take over as director** of Tata Consultancy Services, Tata Teleservices, Tata Industries
- **Tata leadership has shown scant respect** for minority shareholders' rights

US-Iran tensions keep markets on edge

Experts fear risk-off trade, spike in oil prices, weaker rupee to hurt India's fundamentals

JASH KRIPLANI, ANUP ROY & ASHLEY COUTINHO
Mumbai, 5 January

A protester outside the Federal Courthouse in St Louis in the US on Saturday PHOTO: PTI

Market participants are bracing themselves for heightened volatility as escalating tensions between the US and Iran are threatening to disrupt macroeconomic conditions, with oil prices likely to go up amid possibilities of a full-blown conflict between two of the biggest oil-producing nations.

BACK PAGE
WILL TARGET US MILITARY SITES, SAYS IRAN

"Given India's sensitivity to global crude oil prices, any sustained spike led by geopolitical risks may naturally lead to depreciation pressure on the rupee and increase in bond yields, with other things being equal," said Kaushik Das, India chief economist, Deutsche Bank. "Volatility will rise in the coming weeks and months," added Das.

On Friday, Brent crude closed 3.5 per cent higher at $68.96 per barrel after the US confirmed the success of its drone strike, killing Qassem Suleimani, commander of Iranian forces.

Currency experts fear the rupee could react in the coming sessions, which may trigger a heavy pull-out by foreign portfolio investors (FPIs), looking to avoid the impact of currency volatility on their returns.

"A volatile rupee would spook FPIs at a time when we desperately need foreign demand, especially in the bond markets. The rupee at 72.75 is likely to act as resistance for dollar-rupee in the medium term. At 71.20, there is a strong support on the downside," said Abhishek Goenka, managing director at IFA Global, a foreign exchange advisory firm.

For the equity markets, a reversal in FPI flows can lead to broad-based selling as overseas investors bought in ₹1.01 trillion worth of equities in 2019, which was 2.4x the investments made by domestic institutional investors.

On Friday, the rupee depreciated by 0.61 per cent against the dollar, closing at ₹71.81. Turn to Page 5

SIGNS OF RISK AVERSION

US markets took a hit on Friday; oil prices, gold saw spike

Index	Country	Price*	% change*
DAX Index	Germany	13,219.00	-1.25
Dow Jones	US	28,634.88	-0.81
Nasdaq	US	9,020.77	-0.79
Nikkei	Japan	23,656.62	-0.76
₹ vs $	India	71.81	-0.61
Nifty50	India	12,226.65	-0.45
BSE Sensex	India	41,464.61	-0.39
Hang Seng Index	Hong Kong	28,451.50	-0.32
Shanghai Composite	China	3,083.79	-0.05
Gold spot $/oz	International	1,552.20	1.51
Brent crude $/barrel	Brent	68.96	3.51

*on Friday — Source: Bloomberg

Big realtors eye development mgmt models

RAGHAVENDRA KAMATH
Mumbai, 5 January

Godrej Properties, the real estate arm of the Godrej Group, recently signed a development management (DM) contract deal with Pune-based developer Solitaire to develop a project of 25 million square (sq.) feet (ft) and invested its money in 50 per cent of the land cost.

In a normal DM model, Godrej would not have given money for the land. It would have just lent its name to the project and carried out the construction, marketing, and sales for a fee which is 12-15 per cent of the top line of the project. It has already paid around ₹500 crore and is giving some more money to its partner.

Godrej signed a similar deal with a Bengaluru-based developer recently. In the new version of DM, Godrej may or may not charge a fee, as it's a 50 per cent partner in the project.

Goods and services tax and the Real Estate (Regulation and Development) Act (RERA) created liquidity challenges for small developers. For instance, RERA bans the pre-launch of projects before approvals and mandates that 70 per cent of a project proceeds have to be kept in an escrow account.

It is these liquidity issues that have led to landowners/developers failing to fund projects, damaging the reputation of their partners who are normally big brands. Faced with financially troubled partners in DMs, top developers, such as Godrej Properties and Shapoorji Pallonji Real Estate, are looking at new DM models to safeguard their interests.

In a DM deal, landowners have to take care of approvals and funding but need not bother about the hassles of construction and marketing a project. For the other company, it is a way of earning additional revenue with a DM contract. Turn to Page 5

HOMING IN

How DM works
The landowner/ developer brings in land and takes care of approvals, funding, etc. The development management (DM) partner takes care of execution, marketing, and sales for a fee

Why is DM model in trouble?
Because of **liquidity issues**, landowners/developers are not able to fund a project

Solution brands found
Developers, such as Godrej, are **investing their own money in land**, while Shapoorji Pallonji is taking contracts, where banks are restructuring a loan account

'Policymakers must stop treating cars like sin goods'

R C BHARGAVA has spent almost 40 years in the Indian auto industry. Even for him, the year 2019 has been the worst for the sector. He says the government's attitude of increasing the ownership cost of cars is the main reason why sales have been going down. In an interview with **Arindam Majumder**, he cautions that increasing taxes on cars — to mitigate any revenue shortfall — will affect the economy and job creation. Excerpts:

Q&A

For the auto industry, was the year 2019 the worst you have seen?
In terms of sales drop, 2019 was probably the worst. The year was in many ways a very unusual one. The biggest difference, something which never happened before, is that the transition to a different technology (Bharat StageIV to BSVI) was being done in a manner that has never been seen before.

During earlier transitions, this condition that BSIV will not be registered after March 31 was not there. This deadline made life difficult for manufacturers — how to control production and sales so that you don't have any stocks left at the end of the year.

Also, a lot of consumers started believing that at the end of the year, there would be distress sales of BSIV stocks. This method of changeover creates difficulties.

Secondly, the cost of vehicles went up due to high safety and emission standards, which had to be enforced in 2019.

The third factor was tax increase because nine states were running short of revenue. The thinking among policymakers still remains — if you want to raise tax, raise it on alcohol, cigarettes, and cars.

Simultaneously, banks — worried about their losses — tightened lending criteria, making many customers ineligible for loans.

The desire of Indians to have a car is still high. But what do I do with my aspirations if I don't have the money?

So, such aspirations have not reduced due to Ola and Uber. Indians just don't have the buying power anymore...
No. Ola and Uber have an impact on sales for millennials. They have a lifestyle different from what the earlier generations had. Having a car is not such a person's priority. He goes to parties, and likes travel and holidays. That class wants to have money for things other than cars.

Is that section big enough to have an impact on sales?
Not a big impact as of now but definitely it has started showing. Companies need to understand their psychology. This is more prominent in big cities. Delhi and Mumbai are no more the sales hubs.

WHAT I LOSE IN PERSONAL VEHICLE SALES WILL BE MADE UP BY OLA AND UBER
R C BHARGAVA
Chairman, Maruti Suzuki

Will this behavioural change be a worry for automakers?
No. It will have a temporary impact on sales. But remember, the aggregators have a replacement cycle, which is shorter than that of a personal car. An individual's car will work for 15 years. An Uber car needs to be replaced after four years. So when this replacement cycle kicks in, they will start buying more. What I lose in personal vehicle sales will be made up by Ola and Uber. Turn to Page 5

INDIA INC'S OVERSEAS BORROWING UP 6.5% TO $2.12 BN IN NOVEMBER

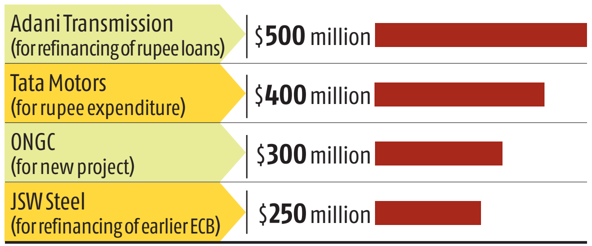
Overall borrowings by India Inc from foreign markets grew 6.5% in November, data from the Reserve Bank of India showed. Domestic companies had borrowed $2.12 billion in the month, against $1.99 billion in November 2018 PTI

$2.1 billion was raised through the automatic route under the ECB

$0.98 million mopped up by way of issuance of rupee-denominated bonds

No capital came in through the approval route

Major borrowers in the automatic route of ECB...



IT firms may see tepid revenue growth in Q3

DEBASIS MOHAPATRA
Bengaluru, 5 January

Big domestic information technology (IT) services firms are likely to put up a tepid showing in the seasonally weak third quarter (Q3). However, operating margins are expected to expand on the back of a weak rupee and optimisation measures.

Analysts say the dollar revenues of top five firms — Tata Consultancy Services (TCS), Infosys, HCL Technologies, Wipro and Tech Mahindra — are likely to grow in the range of 1.3 per cent to 3.5 per cent in sequential terms.

TCS is expected to report a 90 basis points (bps) improvement in the operating margins in Q3 over the previous quarter, while Infosys is likely to record a 70 bps sequential improvement in the margins.

"In a seasonally soft quarter, higher than usual furloughs and weakness in key verticals such as banking and financial services (BFSI) and retail will create overhang on growth," brokerage firm Motilal Oswal said in a report. "We expect Tier-1 firms to deliver a tepid organic growth of 0-2 per cent in constant currency terms."

For the October-December period, both TCS and Infosys are expected to post weak revenue growth numbers because of less client spend in BFSI and retail verticals. Despite this, softness in key verticals, deal pipelines for both the firms remain decent.

"Total contract value (TCV) at TCS should benefit from the mega deal signed with the Phoenix Group. Similarly, the net-new TCV at Infosys is to likely benefit from deal wins announced with Services Australia and Telenet (during the Q3)," said ICICI Securities in a note.

For third-largest IT services firm, HCL Technologies, positive seasonality associated with the product revenue streams is likely supplement its revenue growth. The Noida-headquartered firm is likely post 1.5 per cent sequential growth in its revenues. The company, which has invested $1.8 billion for buying intellectual property assets, have already raised its constant currency revenue guidance to 15-17 per cent in FY20, against 14-16 per cent earlier. Similarly, Wipro is likely to post organic revenue growth of 1.2 per cent in Q3, ICICI Securities said.

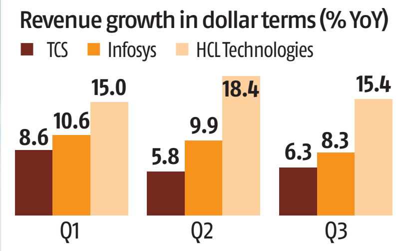
In terms of operating margins, increased utilisation and improvement in employee mix with induction of more junior employees will support the margin profile of most large and mid-tier firms. Depreciating rupee is also likely to aid the margin profile of most companies. "The impact of these factors will offset fewer working days and delay in large deal ramp-ups in some cases," said analysts at Motilal Oswal.

Among mid-tier firms, L&T Infotech is expected to lead the revenue growth with 4.5 per cent sequential growth. Persistent Systems is also expected to post better earnings on higher product revenues.

"Macro factors affecting the IT industry has turned favourable in recent months, which has been indicated from Accenture results. So, the commentary of top management on deal pipeline, key verticals like BFSI and retail apart from margins will be keenly watched," said Pareekh Jain, a IT outsourcing advisor and founder of Pareekh Consulting.

NUMBER CRUNCHING

Revenue growth in dollar terms (% YoY)



- Both TCS and Infosys are likely to expand operating margins in Q3
- Despite tepid revenue growth, deal pipeline for big firms remains decent
- Commentary on large deals, BFSI vertical will be watched keenly
- Among mid-tier IT firms, L&T Infotech, Persistent are likely to post better results

IN BRIEF

Supertech seeks ₹1,500 cr to complete 12 housing projects

Realty firm Supertech on Sunday said it has sought ₹1,500 crore from the government's newly created stress fund to complete its 12 ongoing housing projects at Noida and Greater Noida in Uttar Pradesh. The company said these 12 projects comprising 20,000 flats are at an advanced stage of completion and it requires last mile funding to finish the pending works and deliver units to homebuyers. In November, the central government announced a ₹25,000-crore fund to help complete over 1,500 stalled housing projects, including even those that have been declared NPAs or admitted for insolvency proceedings. The move is likely to help 458,000 housing units across the country. Only RERA-registered projects with positive net worth will be provided funds. Real estate developers were asked to apply to seek money from this fund. PTI

New legislation to set up social impact companies on cards

The Centre is considering a new law for setting up social impact companies, where profits can be distributed among the shareholders. An official said having such companies would help in attracting private capital towards developmental activities. PTI

Vedanta to raise up to ₹2,000 cr through NCDs

Vedanta on Sunday said it proposes to raise up to ₹2,000 crore via issuance of non-convertible debentures. The company will hold a meeting of its committee of directors on Wednesday on this issue. PTI

USFDA red-flags GPT Pharma for violations at unit

The US FDA has red-flagged drug firm GPT Pharmaceuticals for significant violations of good manufacturing norms at its Hyderabad plant. PTI

Lifestyle brand Mumuso eyes expansion in India

South Korean lifestyle brand Mumuso announced its plans to open outlets across the country. "Mumuso is eyeing at the Indian market aggressively with new stores in different parts of the country," it said. PTI

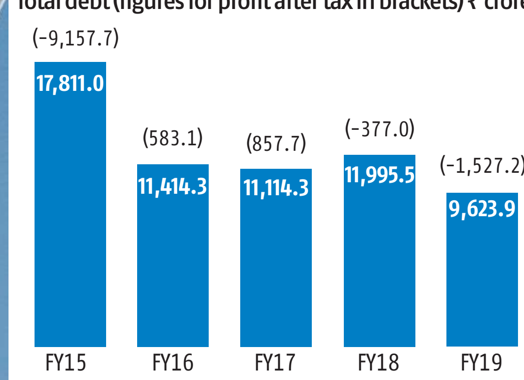
NCLT route ruled out for Suzlon, lenders to set up escrow account

Barring one bank, all lenders are ready to convert more than 50% of the total debt into new debt

SHREYA JAI
New Delhi, 5 January

FALLING FORTUNES

Total debt (figures for profit after tax in brackets) ₹ crore



Figures for FY19 is as per the results filing
Source: Capitaline. Compiled by BS Research Bureau

Throwing a lifeline to India's leading wind turbine maker and debt-ridden Suzlon Energy, lenders to the company have finalised a resolution plan.

They hope to conclude the process by the month end, which is also the deadline for the resolution.

Sources said barring one bank, all lenders were ready to convert more than 50 per cent of the debt into new debt. The remaining would be the haircut taken by the lenders or unsustainable debt. State Bank of India, Punjab National Bank (PNB), Union Bank and Bank of Baroda were major lenders to the company. Of this, PNB was learnt to have resisted to the resolution plan.

Part of the plan is also to create an escrow account for the company to help complete its pending projects.

"Lenders would get the returns, and profit margin, if any, will go to Suzlon," said an executive. The annual amount to be spent from the escrow account would be in the range of ₹800-1,200 crore.

The lenders seem to have decided against insolvency proceedings against the company and will work on the sustainable debt of Suzlon.

Suzlon is reeling from a debt of ₹7,000 crore, and was looking for new investors by paring promoter stake. However, no deal went through.

For the quarter ended June 2019, Suzlon reported a net loss of ₹337 crore and revenue of ₹833 crore. As of June 2019, the company's consolidated net term debt, including foreign currency convertible bonds (FCCBs), was at ₹7,751 crore and working capital debt was ₹4,000 crore.

Tulsi Tanti, founding chairman and managing director (CMD) of Suzlon Energy, was learnt to have communicated to the Centre that introduction of the bidding regime in the wind power sector worsened the financials of companies, including Suzlon. "During his several meetings with the Prime Minister's office (PMO), Tanti expressed concern over bidding and also lack of projects which has slowed down the growth of the sector," said an official.

Suzlon Energy declined to respond to detailed queries on debt restructuring and Tanti's meeting with the PMO.

The Centre, in 2017, retired the 25-year-old Feed-in-Tariff (FiT) mechanism to award wind projects and introduced competitive bidding. Capacity addition fell to a record low of 650 Mw during the same period. But the tariffs also fell by half from the existing rates to ₹2.5/Mw. Under the FiT mode, electricity regulator decided the tariff.

India's wind power project installation stands at 1,650 Mw, half of the targeted capacity for the current fiscal. Also, no new project has been offered in the current fiscal.

During 2018-19, 742 Mw of wind projects were commissioned. This is after the Centre tendered out close to 7,000 Mw wind power projects in the past two years. Wind projects installation was a record high of 5,000 Mw in 2016-17, a year before bidding was introduced.

Wind power producers, which procure turbines from these companies, said this has created a vacuum in the wind energy sector.

"Policy irregularities and retrospective changes are hurting the wind manufacturing sector in India, especially domestic players," said the chief executive officer (CEO) of a leading renewable energy company. In July, Suzlon defaulted on a payment to its bondholders for $172-million in FCCBs, which was due on July 16. The $172 million was part of a bond series first restructured in 2014.

In 2012, Suzlon announced it has entered CDR. The company is likely to exit CDR. This plan was earlier set for March 2017. The timeline was later pushed to the first-half of FY18 and has not been met yet. In earlier attempts at divestment, Dilip Shanghvi picked up a 23 per cent stake for ₹1,800 crore in Suzlon in 2015. The relief, however, was short-lived and the company slipped back into the red in FY18.

Fixed deposit holders claim ₹4,800 crore in DHFL dues

PRESS TRUST OF INDIA
New Delhi, 5 January

The Reserve Bank of India-appointed administrator of the beleaguered Dewan Housing Finance (DHFL) has admitted close to ₹4,800 crore of claims submitted by fixed deposit holders of the firm, a source said.

Nearly 55,000 public depositor holders, including retail and UP Power Corporation Employees, have demanded payments aggregating to ₹5,200 crore from the troubled mortgage players as of December 17.

"The claims from fixed depositors that have been admitted, so far, are ₹4,800 crore," a source said. With this, the total amount of claim received by the company's administrator, R Subramaniakumar, who is also the resolution professional, from financial creditors, operational creditors, employees, fixed deposit holders, and other creditors has touched approximately ₹93,105 crore. Against that, around ₹85,800 crore of claims have been admitted, so far, said a banker.

Following an NCLT order dated December 3, Subramaniakumar, through a public notice, had asked all the creditors including fixed depositors to submit their claims by December 17.

While financial creditors have demanded a payment of ₹86,892.30 crore of their debt, financial creditors claimed an amount of ₹60.76 crore, as per the latest available data.

Last week, the committee of creditors met for the first time after the stressed financier was admitted for insolvency proceedings on December 2. Subramaniakumar informed the creditors about the status of the claims made so far during the meeting.

Among the financial creditors, the country's largest lender, State Bank of India submitted the highest claim of ₹10,082.90 crore. However, claim which has been admitted from SBI and SBI Singapore is ₹7,131.31 crore and ₹2,951.59 crore is under verification.

Patent wars: HUL wins pre-grant opposition against Tata

GIREESH BABU
Chennai, 5 January

Hindustan Unilever (HUL), which owns the Pureit brand, has won a pre-grant opposition against Tata Chemicals, which sells water purifiers under the brand Tata Swach. The patent office rejected Tata Chemicals' application for an invention related to a water purifier based on the pre-grant opposition filed by HUL.

In 2012, Tata Chemicals was successful at the Intellectual Property Appellate Board (IPAB) in revoking one of HUL's patents related to water purifier.

In the latest round, Tata Chemicals along with Tata Consultancy Services, had filed a patent application on July 8, 2008, for the invention titled 'A Water Purifier'. And, HUL filed a pre-grant opposition under the Patents Act 1970 on January 13, 2011.

Based on the argument from both sides and documents submitted by the companies, the assistant controller of patents & designs, Delhi, in an order dated January 2, 2020, held that the claims lack inventive steps under certain sections of the Act.

The controller accepted HUL's pre-grant representation. The order also observed that the invention is obvious to a person skilled in that particular technology.

Legal sources said that the assistant controller refused Tata Chemicals' patent application. This was in view of a prior art (information/document already known) which Tata Chemicals depended on to get the HUL's patent revoked earlier. The patent officer also relied extensively on the observations of the IPAB in the order which rejected the patent of HUL.

In 2012, Tata Chemicals was successful at the Intellectual Property Appellate Board in revoking one of HUL's patents related to water purifier

IPAB, in its order in 2012, had said that the technology used by Pureit was not new.

"Also, the expert evidence used by Tatas against HUL, in the earlier case, was used to hold the Tata invention as obvious," said S Majumdar of S Majumdar & Company, who appeared for HUL in the pre-grant opposition. Essenese Obhan, of Obhan & Associates appeared for Tata Chemicals.

Tata Chemicals, in its patent specification filed with the patent office, had said that there is a need for a water purification device that is simple, a gravity-driven one that is inexpensive, easy to use and effective in removing bacterial contamination from drinking water.

The invention claimed by Tata Chemicals include a water purifier which could be connected to a water storage vessel, and having two chambers and purification materials for improved efficacy.

The pre-grant opposition was considered primarily on HUL's grounds that the invention has prior claiming and lacks inventive step. HUL argued that the features of the alleged invention are present in the documents available.

The patent dispute between the water purifier manufacturers has been going on for several years now. Earlier, another patent of HUL, for 'a gravity-fed water purification system,' was revoked by the patent office in 2012. This was done based on a petition filed by Eureka Forbes, part of the Shapoorji Pallonji Group.

According to a report by TechSciResearch, India's residential water purifier market was valued at $391.4 million in 2019. It is expected to grow at a compound annual growth rate of 13.3 per cent to touch $818 million by 2024. This will be possible owing to the growing concerns on water-borne diseases, increasing water pollution, and rising disposable income.

SoftBank-backed firm eyes 100,000 citizen data scientists

PEERZADA ABRAR
Bengaluru, 5 January

Findability Sciences, Boston's artificial intelligence company backed by SoftBank, may soon come looking for "100,000 citizen data scientists".

Founder and CEO Anand Mahurkar said the company is expanding its operations in India and aiming to attract citizen data scientists to build various applications on the AI platform.

Mahurkar said the platform would provide an opportunity to the growing community of Indian AI developers to offer their services to enterprise customers worldwide.

"It is like a kitchen, where corporate houses can create their own recipes of AI. They can come on this platform and execute their AI projects without any hassle," said Mahurkar. "Also, if I need just three days of support for my AI project, I may not be able to find the talent."

The company plans to tap industries such as insurance, banking, retail, manufacturing as well as IT services firms like Infosys, Wipro and TCS.

"While India is a big developer of AI and companies such as Infosys, TCS, and Wipro are going towards that direction, nobody is actually catering to the Indian market," Mahurkar said. "Our (AI) technologies can be used by corporate houses without deploying too many of the resources, which are scarcely available and are expensive. Indian corporate houses need help on the use of AI and that is where our technology is going to be of immense use."

To cater to India and address the AI adoption gap, Findability has formed a joint venture with New York-headquartered Qlytics, which specialises in scaling enterprise-wide analytics and AI development.

Qlytics provides technology to enable enterprise-grade governance and management of talent, data, tools and cloud resources. It allows organisations to effectively track AI development projects through integrated APIs (application programming interfaces) from platforms such as Jira, Slack and Github.

The solution comes pre-built with AI applications that allow users to both build their own models and/or deploy a pre-trained one.

Mahurkar said his company was also looking to build its facilities in tier-2 and tier-3 towns and cities such as in Nashik and Hubli. "The (metro) cities are overcrowded. We are looking at secondary and tertiary cities to create new technologies using the resources there," said Mahurkar, who completed his engineering in Aurangabad in 1990 before moving to the US in 2003. The firm has already formed a development centre in Aurangabad.

AI has the potential to add $957 billion to India's economy by 2035, according to consulting firm Accenture. According to industry sources, there has been a 30 per cent year-on-year increase in the number of Indian firms setting up dedicated AI teams. However, despite such encouraging statistics, India accounts for less than 8 per cent of analytics firms globally, indicating the need for a broad-scale adoption of AI and machine learning within organisations.

LOOKING AT THE FUTURE

- Findablility would provide developers an opportunity to offer services worldwide
- The Boston-based firm plans to set up units in tier 2 and 3 cities and use resources there
- AI has the potential to add $957 bn to India's economy by 2035, according to Accenture
- There has been a 30% year-on-year increase in Indian firms setting up dedicated AI teams
- India accounts for less than 8% of analytics firms globally despite encouraging statistics

Power firms bet on data centres

AMRITHA PILLAY & NEHA ALAWADHI
Mumbai/New Delhi, 5 January

Industrial data centres are mega consumers of electricity — so much so that consumption of such units is even more than a small village. This has prompted power producers in India — both conventional and solar — to make a beeline to tap these data centres.

One of India's largest data centre companies STT GDC India alone plans to expand its capacity in load terms to 500 mega watt (Mw) from the current 85-90 Mw in India.

As India's overall data centre market is expected to grow rapidly, power producers like Adani Green and JSW Energy, and solar solution companies like Fourth Partner Energy and CleanMax, have turned bullish on the segment.

"Demand for power from these data centres will grow in a big way. We will be open to exploring both opportunities in conventional and solar power requirements," said Sharad Mahendra, director and chief operating officer (COO) of JSW Energy. Mahendra feels that data centres in India will require both thermal and solar power. "Demand from data centres will also contribute to the current power demand growth and help improve plant load factor for existing thermal plants."

Sumit Mukhija, chief executive officer (CEO) of STT GDC India, pegged the country's data centre market at 350-400 Mw in terms of load capacity.

Most attribute India's rapid digital transformation as the main contributor to data centre market growth. "Increasing the number of devices, connectivity, 5G coverage and overall digital transformation are upping the amount of data being generated. Hyperscale data centre construction will dominate the data centre industry," said Sanjay Motwani, vice-president Asia-Pacific, Raritan.

Some like Karan Chadha, head, business development, Fourth Partner Energy, expects the Indian data centres' market to grow at compound annual growth rate or CAGR of 9 per cent to 11 per cent in the next 5 years. "It is a no-brainer that this industry is extremely energy intensive and can benefit significantly from adoption of renewable energy, especially solar power," he said.

Chadha points out that 95 per cent of electricity back-up for data centres in India, at present, is dependent on expensive diesel generators. Power companies expect green power solutions to cater to this back-up demand in future.

"India's current capacity is already hundreds of megawatts and should grow to thousands of megawatts in solar capacity in the next couple of years," said Andrew Hines, co-founder, country director, Thailand and head-business development (south India), CleanMax.

The company already services a couple of data centre companies and plans to expand further in this segment. Hines expects data centre companies to look at open access and captive power source type of solutions in India.

Adani Green is another company which sees a huge demand from the data centre business. The Adani group is already planning to set up a green data centre in Andhra Pradesh. A green data centre is designed to use less energy and space, and its structural design and source of power are environmentally friendly. Officials from Adani Green, in an earnings call for the quarter ended September 2019, said while there is demand potential, open access challenges in certain states remain.

The current data centres in the country are spread across Telangana, Maharashtra and Karnataka. Executives from power as well as data centre businesses point out that coastal states will be favoured for setting up data centres.

HEADING UP

AS DATA CENTRES GROW....

Number of data centres in the world have grown to **8 million, from 0.5 million in 2012**

Indian data centre market is expected to grow at **9-11% CAGR in the next 5 years**

...DEMAND FOR POWER ALSO LIKELY TO INCREASE

Data centres consume more than **3% of electricity globally**

Responsible for over **2% of global carbon emissions**

Indian data centres are dependent on diesel generators for **95% of power back-up**

Murthy: Reasonable income jobs can help curb inequality

PRESS TRUST OF INDIA
Mumbai, 5 January

The country needs to focus on creating jobs that provide reasonable income to tackle the issue of inequality, Infosys co-founder and chairman emeritus N R Narayana Murthy (*pictured*) said on Sunday. He also emphasised on shifting more number of people from agriculture, where the per capita GDP income is low, to low-tech manufacturing and services, where the income levels are comparatively better.

"The only way you can reduce inequality in a country like India is through creation of jobs, and creation of jobs with reasonable income," Murthy said while addressing a techfest organised by IIT Bombay through a video conferencing.

In India, nearly 58 per cent or about 650 million people depend on agriculture, which contributes only 14 per cent to the GDP, he said. "In other words, if the per capita income of an Indian is $2,000, for those working in agriculture, it is hardly $500 because these 58 per cent people contribute only 14 per cent of the GDP," the IT industry veteran said.

"These $500 per year translates into ₹100 per day, with which, these people have to eat, take care of health, educate their children and pay rent, among others," Murthy said.

"Therefore, poverty in India is absolutely huge. The only way you can improve is by moving people from agriculture to low-tech services and manufacturing, where, hopefully, we should be able to get them somewhere around $1,500 to 2,000 per year," he added.

Murthy also said there is a need to improve agriculture productivity by using more and more technologies.He also advised the country's IT companies to focus on innovations to improve, quality, provide better value to customers and encourage their employees to embrace new ideas which will start giving opportunities in the next 10-15 years.

Electric 2-wheeler makers learning to survive without subsidy: SMEV

PRESS TRUST OF INDIA
New Delhi, 5 January

Mass segment electric two-wheeler makers are learning to "live without government support" as FAME II scheme to promote electric mobility has not met its objective, according to industry body SMEV.

The Society of Manufacturers of Electric Vehicle (SMEV) said after getting a "shock" when FAME II was implemented from April 1, 2019, the industry has devised ways to keep afloat by selling low to mid-speed vehicles, which don't qualify for incentives at heavy discount but incurring losses in the process.

"Industry got a big shock when FAME II started. People are now learning to survive without government assistance to some extent at least. The result of this is that subsidised vehicle sales have dropped drastically but industry sales has not dropped," SMEV Director General Sohinder Gill told PTI.

He was responding to a query on the impact of FAME II on the electric two-wheeler market.

Kredent InfoEdge aims to raise $8mn

Fintech-cum-education startup Kredent InfoEdge is looking to raise $8 million in the next two years to fund its growth and strengthen the services by leveraging technology, a company official said. The city-based startup, which began its journey as a platform to provide education-releated services on stock markets, expanded to research data analytics, the official said. PTI

UCO Bank optimistic of escaping PCA

UCO Bank is on track to come out of RBI's Prompt Corrective Action (PCA) framework in the current fiscal, a top offical of the lender has said. The bank is hopeful of bringing down the net NPA below 6 per cent in 2019-20 from 7.34 per cent as on Sepetmber 2019, Managing Director and CEO A K Goel said. PTI

After a hike, Railways talks discount

Occupancy-based discount is an effort to augment revenue by increasing number of passengers during lean periods

SHINE JACOB
New Delhi, 5 January

After opting for a passenger fare hike effective January 1, the Indian Railways is planning to come up with an occupancy-based discount system for passengers across mail, express, superfast, and premium trains. The discounts would be available on trains where occupancy rate is low.

This is seen as an effort to augment revenue by increasing the number of passengers during lean periods, on non-remunerative routes with a stiff competition from roads and some long-run trains having larger running time with more stoppages.

"We are working on a slab-based discount model, which will be applicable on all trains where occupancy is an issue," confirmed a senior official.

According to the ministry, the average occupancy of different types of trains, including Shatabdi Express, on an end-to-end basis ranged between 70 per cent and 100 per cent in 2018-19.

This will not be the first time that the national transporter is wooing passengers by doling out discount sops. It is already offering 10 per cent discount on vacant berths after the preparation of first chart in all trains. In addition, graded discounts are available in flexi fare trains where class-wise occupancy is less than 60 per cent.

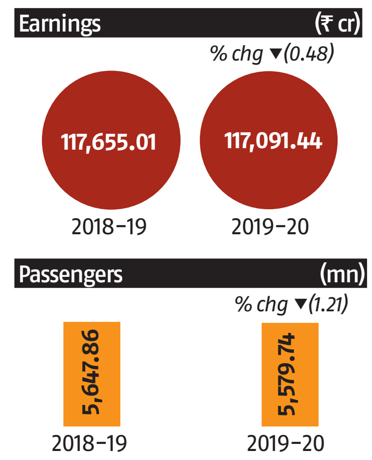
Higher revenue from passenger segment is vital for the Indian Railways that is struggling to meet its earnings target for 2019-20. As a step towards this, various initiatives for fair rationalisation are being planned by the Board and the recent fare hike was one such move. From January 1, the national transporter had raised passenger fares across classes ranging from 1 paisa to 4 paisa for every kilometre, excluding suburban and season tickets.

For April to November period, it has fallen short of earnings target by 12.28 per cent to around ₹16,391 crore. Though the target for the period was ₹133,482.68 crore, the earnings were seen at ₹117,091.44 crore. Interestingly, this is almost similar to the last year's earnings of ₹117,655.01 crore. The hike was crucial for the financial health of the Railways, which was staring at a higher operating ratio too. "Such crisis will make an organisation stronger," Railway Board Chairman V K Yadav told the media last week. Industry sources highlight that the hike was marginal as the financial impact was only a 'minimal' ₹2,300 crore.

Interestingly, going for a slab-based discount approach may be a difficult task for policymakers, too, as demand is not uniform in the Railways — it depends on lean and peak periods, non-remunerative routes, distance, and timing of the trains.

At present, graded discounts are given in Rajdhani, Shatabdi, Duronto, and Humsafar trains where class-wise occupancy is less than 60 per cent, four days prior to scheduled departure of train. Based on this model, 20 per cent discount is given for up to 70 per cent occupancy and 10 per cent discount between 70-80 per cent based on the last fare under the flexi mechanism. Beyond 80 per cent, no discount is provided. These initiatives were launched in premium trains after passengers started opting for airlines after the introduction of flexi fare system, leading to low occupancy in several trains.

BEHIND SCHEDULE



Figures for Apr-Nov period; passenger figures include suburban and non-suburban Source: Railways

New Year begins on positive note

EXIM MATTERS

T N C RAJAGOPALAN

The government's New Year gift is extension of the time limit to avail of the service tax and central excise dispute resolution scheme by 15 days. And, a spate of notifications giving effect to some provisions of the Finance (Number 2) Act, 2017 and decisions of the Goods and Services Tax (GST) Council at its 38th meeting.

The Sabka Vishwas (Legacy Dispute Resolution) scheme was announced in July, with the aim of settling pending disputes on service tax and central excise duty. The government issued many notifications, clarifications, user manual and a list of FAQs to get a good response for this very attractive scheme. However, doubts persisted and there were some glitches in the online filing of applications. These were mostly resolved by mid-December, enabling the trade to take advantage of the scheme, mostly in the last two weeks before the deadline of end-December.

The government issued many notifications, clarifications, user manual and a list of FAQs to get a good response for the Sabka Vishwas scheme

Till the morning of December 31, about 133,631 tax payers, of a total of 184,000, had taken advantage of the scheme. The applications involved tax dues of ₹69,550 crore and the amount payable by applicants was ₹30,627 crore. This appears to fall short of the government's expectations. The finance minister, in her Budget speech, had said that more than ₹3.75 trillion was blocked in pending litigation. It appears that where large amounts are involved, taxpayers prefer to fight out the cases rather than take the scheme. The government says to ensure tax payers do not miss the opportunity, the last date for availing of the scheme was being extended till January 15. It is likely that more small tax payers will come forward before the revised last date.

In the Finance (No 2) Act, 2019, the fifth schedule contained amendments to the Customs Tariff Act, 1975. These were mainly intended to rectify certain errors, create a few new entries and align some entries with the global Harmonised System of Nomenclature (HSN). The government has now issued notifications giving effect to the amendments, from January 1.

Consequently, many Customs exemption notifications have also been amended. The notification of the commerce ministry harmonising Exim Codes in the Indian Trade Control (Harmonised System) of Classification of Import and Export items with the Customs Tariff takes effect from the same date. However, till last Thursday, the Director General of Foreign Trade had not issued a public notice amending the corresponding HSN Codes under the Merchandise Exports from India Scheme. The commerce ministry had also not made the changes needed to remove some unwarranted restrictions that had crept into its notifications.

The Finance (No 2) Act contained certain amendments to the Central GST Act, 2017, that have now come into effect. These include a higher threshold exemption limit and alternate composition scheme for service providers, mandatory Aadhaar submission, facility for the taxpayer to transfer amounts from one head to another in the electronic register, etc. However, the provisions relating to the Appellate Advance Ruling Authority have still not taken effect.

In the 38th meeting of the GST Council, several decisions were taken, one of these through a process of voting. A notification now gives effect to its recommendations.

The government has started the new year on a positive note. Hopefully, the momentum will be sustained through the year.

E-mail: tncrajagopalan@gmail.com

Govt may put out list of 6,000 NIP projects soon

Data to explain why private sector investment is estimated to be low

SUBHOMOY BHATTACHARJEE
New Delhi, 5 January

In the next few days, the finance ministry expects to put out a detailed list of about 6,000 projects which form the basis for the National Infrastructure Pipeline (NIP) report.

The data would provide answers to questions from analysts about the lack of private sector participation in the NIP. The report shows that till 2025, the government expects the private sector to chip in with only 22 per cent of the total infrastructure spend in the country, by value.

"We have not got details from the private sector on specific projects," said a top government source, requesting anonymity. The industry chambers have provided estimates on how much project inflow the private sector is likely to finance, but most individual companies have not given the data on their future spending. Hence, the details of their year-wise spending plans could not be ascertained, the source said.

"The report released by Finance Minister Nirmala Sitharaman last week is the executive summary of sorts of the proposed pipeline," said the source.

The ministry feels the numbers on the list would explain why private sector participation has been estimated to be so low.

Private sector projects made up about 38 per cent of the infrastructure projects during the Eleventh Five Year Plan (2007-2012). It slid to about 30 per cent in the next five-year period (2013-18).

The current estimate of 22 per cent over 2019-25 shows an equally steep dip. The official said the percentage is expected to go up, but would be visible only after the companies announce specific programmes on the ground and as communications to the stock exchanges.

Incidentally, the NIP also shows a tapering off of projects nearer to 2025. The source said this would reverse once ministries are sensitised to appraise projects on their financial implications, year wise.

India's first NIP is modelled on similar annual exercises in the UK, the US, and some other countries

That investment in infrastructure has been low is evident from the data on capital formation in the economy. A *Business Standard* report notes that growth in gross fixed capital formation, a proxy for investment, fell to a 19-quarter low in the July-September period of fiscal year 2019-20. It grew by just one per cent in Q2FY20, compared to a 4.04 per cent growth in the previous quarter, as per data released by the Central Statistics Office. As a share of GDP, the metric shrank to 27.8 per cent during the quarter, against 29.7 per cent in the previous quarter.

India's first NIP is modelled on similar annual exercises in the UK, the US, and other countries. The ministry hopes to make the data available from now through the year, and it will be revised annually.

India had built up estimates of this sort in the erstwhile Planning Commission, but those ran every five years. There is also a list put out by the infrastructure and project monitoring division of the ministry of statistics and programme implementation, but this is only about government projects and is often not updated due to lack of data from the concerned ministries.

A government release earlier this year said, "The National Infrastructure Pipeline would include greenfield and brownfield projects costing above ₹100 crore each. Other qualifications for inclusion in the pipeline for the current year will include availability of a DPR (detailed project report), feasibility of implementation, inclusion in the financing plan and readiness/availability of administrative sanction."

In addition to the data set, the ministry might also come up with a reform score card for the public to understand how key ministries appraise projects. Both these are expected to be open to public inspection, almost on a real time basis, which is a first for India.

Once the data is put up on the finance ministry's website, any investor, domestic or foreign (such as sovereign wealth funds) would be able to do their homework instead of having to run to the ministries to obtain information. It is expected that the list would be seen as a sign of commitment to the projects by the concerned agencies, and also enable investors to make more informed subsequent inquiries.

"Infrastructure Priorities for Job Creation in India", a report released by the IDFC Institute in September 2019, notes that investment in the sector would spur job creation. "There is enough evidence from around the world to suggest that infrastructure investment could lead to substantial job creation," it says.

Vivek Dehejia, lead author of the report, adds that better infrastructure such as roads, reliable supply of electricity and water, and so on, would allow companies to spend less on these and, instead, invest more in their core business. "For firms in the industrial region...for every 10 per cent increase in cost savings... 4.3 per cent more jobs will be created," the report said.

States staring at ₹1-trn revenue gap after GST compensation withdrawal

States might be facing a consolidated revenue gap of up to ₹1.23 trillion on account of withdrawal of compensation after the five-year GST transition period ends on June 30, 2022, says a report by economic think tank NIPFP.

At the time of implementation of the GST on July 1, 2017, the Centre had promised to compensate states for loss of revenue for five years at an agreed formula. "If the GST compensation is withdrawn after June 30, 2022, consolidated revenue gap of states would vary between ₹1 trillion to ₹1.2 trillion depending on expected tax buoyancy and reliability of data sources," the report said. **PTI**

Centre has taken steps without waiting for Budget, says FM

Finance Minister Nirmala Sitharaman on Sunday said the Centre has taken steps to address the challenges faced by various sectors without waiting for the Budget. She also said that GST collection, which crossed ₹1 trillion per month mark during the last two months, will remain "good" in coming days.

Stating that the Centre does not differentiate between BJP-ruled states and non-BJP ruled states, she said dues were not being held back by the Centre, and funds were being given as per the recommendation of 14th Finance Commission **PTI**

STATSGURU

The valves of infra pipeline

LAST WEEK, THE GOVERNMENT came up with an ambitious plan for infrastructure investment. Among other things, the plan highlights the areas of importance and the sharing of responsibility between the government and the private sector.

The report showed that infrastructure investments during the targeted six years — FY20 to FY25 — is expected to be front-loaded, with spending of nearly ₹20 trillion in FY21 and FY22 (Chart 1).

Spending worth ₹12 trillion is to be done in the five years without a time plan, meaning that they may add up in any year. Roads, Railways, cities and housing account for half of the proposed infrastructure pipeline (Chart 2).

It also lays down the vision of the government in terms of the future of jobs: About 50 million people are expected to leave farming from 2012 to 2030, the transition being underway. About 30 million are expected to join industry work, while the services sector is expected to gain a massive 180 million employees (Chart 3).

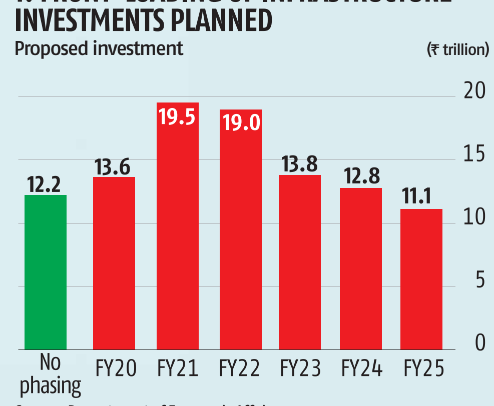
Nearly 80 per cent of the plan is to be funded by Central and state governments, and public sector enterprises, while the private sector will be contributing about a fifth (Chart 4). In the central government's share, more than half of the commitment is being attributed to state owned enterprises-led off-budget spending (Chart 5).

But the real worry would be revenue mobilisation. None of the revenue streams of the Central government have matched the required growth in the current fiscal year (Chart 6), partly due to relief in the corporate tax rate and the economic slowdown.

Higher borrowing would be needed to fund the intended capex, which would entail higher interest outgo in the coming years and affect private sector investment.

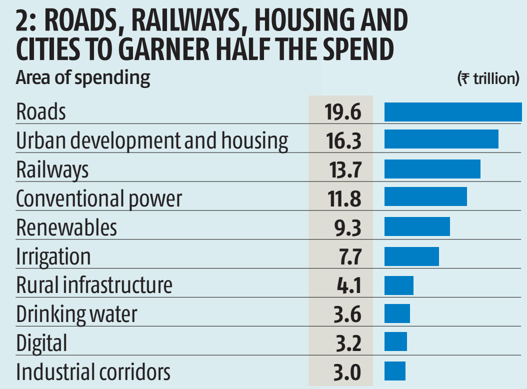
ABHISHEK WAGHMARE

1: FRONT-LOADING OF INFRASTRUCTURE INVESTMENTS PLANNED



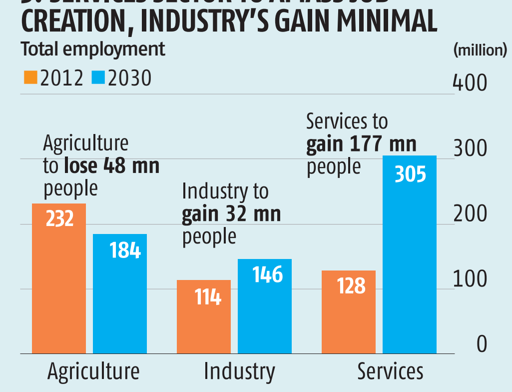
Source: Department of Economic Affairs

2: ROADS, RAILWAYS, HOUSING AND CITIES TO GARNER HALF THE SPEND

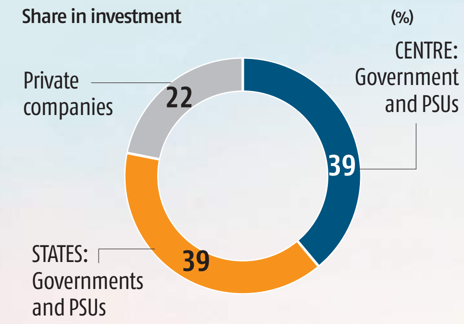


Source: Department of Economic Affairs

3: SERVICES SECTOR TO AMASS JOB CREATION, INDUSTRY'S GAIN MINIMAL

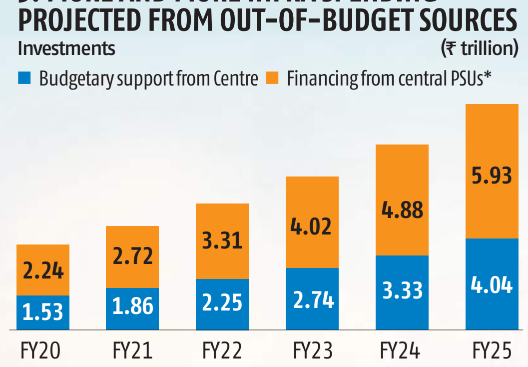


4: GOVERNMENTS TO DRIVE 4/5TH OF THE EXPECTED CAPEX



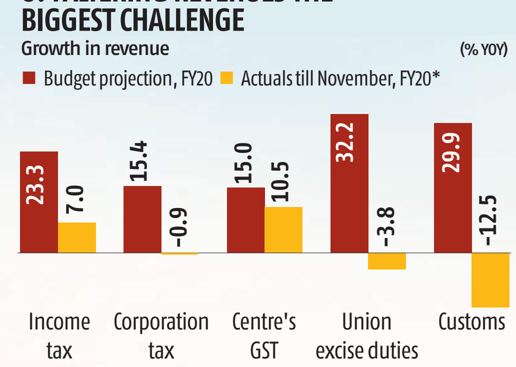
Source: Department of Economic Affairs

5: MORE AND MORE INFRA SPENDING PROJECTED FROM OUT-OF-BUDGET SOURCES



* Would include other off-Budget sources too
Excludes contribution from state governments and private enterprises
Source: Department of Economic Affairs

6: FALTERING REVENUES THE BIGGEST CHALLENGE



* Provisional accounts; Centre's GST means CGST
Source: Controller General of Accounts, Comptroller and Auditor General of India

StatsGuru is a weekly feature. Every Monday, *Business Standard* guides you through the numbers you need to know to make sense of the headlines

Compiled by BS Research Bureau

Masked men go on rampage in JNU

Students, teachers attacked; cops take out flag march; MHA seeks report

PRESS TRUST OF INDIA
New Delhi, 5 January

Violence broke out at Jawaharlal Nehru University (JNU) on Sunday night as masked men armed with sticks attacked students and teachers and damaged property on the campus, prompting the administration to call in police which conducted a flag march.

At least 18 people, including JNU Students' Union president Aishe Ghosh, were injured and admitted to AIIMS as chaos reigned on the campus for nearly two hours. The violence drew strong reactions from opposition parties which hit out at the BJP and accused "those in power" of trying to scuttle the voice of students.

Senior Union ministers and JNU alumni S Jaishankar and Nirmala Sitharaman swiftly condemned the incident. Sitharaman asserted that the government wants universities to be safe spaces for all students. The Home and HRD ministries sought reports from Delhi Police and JNU administration, respectively. Home Minister Amit Shah spoke to the Delhi Police chief and enquired about the situation at JNU.

Sources said the violence started around 5 PM while a public meeting by the JNU Teachers' Association was being held. The JNU administration said "masked miscreants armed with sticks were roaming around, damaging property and attacking people" and that police had been called in to maintain law and order.

JNU faculty Sucharita Sen at AIIMS after masked miscreants armed with sticks attacked on JNU campus PTI PHOTO

The students alleged that the attackers entered hostels and assaulted students and teachers. Video footage aired by some TV channels showed a group of men, who were brandishing hockey sticks, moving around a building.

Delhi Police said it conducted a flag march and the situation was brought under control after it got a written request from the JNU administration.

The Left-controlled JNUSU and the ABVP blamed each other for the violence. The students' union alleged that its members, including Ghosh, were injured in stone pelting by ABVP members.

But the RSS-backed students' organisation alleged that its members were brutally attacked by Left-affiliated student outfits and 25 of them were injured, while 11 were missing. Among the injured was the secretary of its JNU unit.

Expressing shock over the incident, Congress leader Rahul Gandhi said, "The fascists in control of our nation, are afraid of the voices of our brave students. Today's violence in JNU is a reflection of that fear." Swaraj Abhiyan chief Yogendra Yadav, who was allegedly manhandled outside the university, claimed no one was there to stop the "hooliganism" and he was not allowed to speak to the media.

Delhi Chief Minister Arvind Kejriwal, in a tweet, expressed shock and said he spoke to the L-G over the issue. Delhi Lieutenant Governor Anil Baijal condemned the violence and said the situation was being "closely monitored".

The Congress alleged that the attack on JNU students was a "state-sponsored mayhem". Party general secretary Priyanka Gandhi Vadra visited the injured at AIIMS.

CPI(M) general secretary Sitaram Yechury blamed the ABVP for the violence and alleged that the attacks were "planned" by those in power.

A large section of JNU students have been taking part in the protests against the amended Citizenship Act in Delhi. The university was earlier embroiled in a major row over alleged anti-national slogans being raised by some students in February 2016.

Masked miscreants armed with sticks roaming around JNU campus in New Delhi PTI PHOTO

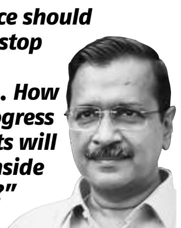
Horrifying images from JNU — the place I know & remember was one for fierce debates & opinions but never violence. I unequivocally condemn the events. This govt, regardless of what has been said the past few weeks, wants varsities to be safe for all."

NIRMALA SITHARAMAN,
Finance minister

Have seen pictures of what is happening in #JNU. Condemn the violence unequivocally. This is completely against the tradition and culture of the university."

S JAISHANKAR,
External affairs minister

I am so shocked to know about the violence at JNU. Students attacked brutally. Police should immediately stop violence and restore peace. How will India progress if our students will not be safe inside univ campus?"



ARVIND KEJRIWAL,
Delhi chief minister

Govt considering licensing regime for unknown imports

SUBHAYAN CHAKRABORTY
New Delhi, 5 January

Mandatory licensing norms may be put in place for vast segments of India's imports that have not yet been properly categorised and remain immune to policy measures, according to sources.

Through the move, the commerce department plans to restrict imports costing an estimated ₹4 trillion, primarily from China. Currently, thousands of import categories are labeled "others" in the official trade classification handbook. Many of these bring in goods worth ₹100 crore or more. But, little data is available on what these are.

Apart from controlling runaway trade deficit, licensing will end spurious products from entering India, a senior official said. "Imposition of a rigorous regime of licensing has been suggested for these products, until suitable technical regulations can be formulated for them," he added.

In the meantime, restrictions on 371 imports costing $127 billion or 26 per cent of India's current annual imports have also been suggested. Eighteen core group meetings have been held by officials belonging to a cross section of ministries on the matter. The inter-ministerial group has suggested that restrictions be put on chemicals, plastic products, furniture, machinery and parts, electronics, and footwear.

- India follows the global Harmonized System of tariff nomenclature
- The system is used to classify more than 10,000 separate import categories
- But 2,433 categories are classified as 'others' or as all other products not covered otherwise
- In many categories, import is upwards of ₹100 crore, sources say
- Govt probe aims to map gaps in data and bring products under ambit of restrictions

Chinese tariff fraud

The issue has become important as the commerce department attempts to identify Chinese goods being routed into Indian markets through other nations such as Vietnam, Thailand and most recently, Myanmar. After facing dumping charges, China has been found to push solar equipment through Malaysia earlier in a bid to escape higher tariffs. However, officials said the licensing move would be one of last resort since the domestic industry is expected to push back against such a policy, with its negative implications on ease of doing business and cost escalation. A large part of these imports have been classified as 'non-essential' in nature, sources in the know said. The Prime Minister's Office had asked the department to publish a list of such items by September 2018 when the country was battling a widening current account deficit.

To ascertain the nature of incoming goods under this category, the revenue department had been asked to provide details of inbound shipments. The Central Board of Indirect Taxes and Customs, which is under the revenue department, maintains databases on merchandise trade through India's international ports.

India's overall imports stood at $514 billion in 2018-19, up by 11 per cent from the previous year. Duties on inbound goods were raised as many as six times. This was followed by a duty hike imposed on 29 primarily high-value agricultural imports from the US last year.

Tough challenge

India follows the internationally standardised Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature to classify traded products.

The system consists of separate levels of data classification to categorise more than 10,000 separate categories of products. Latest official figures show all 2,433 cases classified under the "other" category or not clearly mentioned. The first six digits of the HS tariff number are used universally. Each country may then add up to six more digits according to its tariff and statistical needs. India has remained at the eight-digit level, while major exporting nations have graduated to even more detailed higher levels of trade classification.

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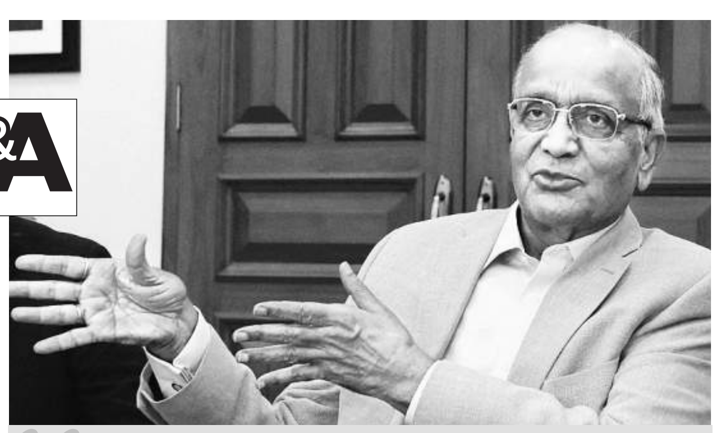
FROM PAGE 1

Affordability will determine sales, says Bhargava

How will 2020 pan out?
Affordability will determine sales. For the last decade, the industry grew at around 8 per cent. But with the current acquisition cost, leave double-digit growth, I don't think the industry will grow even at 8 per cent. I am talking about entry-level cars and customers who have to take loans to buy a car. Suppose the price of a car goes up by 20 per cent as it did in 2019. How does one find the money to buy it?

But a contraction of the industry will have a direct hit on gross domestic product and the $5-trillion economy plan.
Cars account for 16 per cent of India's manufacturing. Clearly a slowdown in this industry will affect manufacturing. It will hit allied industries too. We are seeing signs of that. The government should realise that raising taxes on cars will not increase revenues. Raise goods and services tax, manufacturing will go down further, because purchasing power is not growing. The government has to think of growing demand.



"I can't (set up a battery plant). Next you will ask me to build roads. That's not my business"

There is lesser advantage in using a diesel car due to parity in petrol and diesel prices.

But your rivals are betting big on diesel...
Yes, Hyundai has said it can put a diesel BSVI car at about ₹50,000 more. But on road, it will still be ₹1.70 lakh more. Will a customer pay that much extra with the small price difference? In some states, diesel is costlier than petrol. Then what happens? So I am not willing to make any statement as of now.

Why is Maruti Suzuki downbeat about electric vehicles (EVs)? Your rivals have launched them.
Our concern is only the affordability and availability of technology. Where are the infrastructure and batteries? Who will buy my EV?

Can't a company as big as yours set up its battery plant?
I can't. Next you will ask me to build roads. That's not my business.

But the transition to EVs will certainly happen, will it not?
For that, battery technology and the cost have to stabilise. If the battery cost comes down to $70, it will change the game. Maybe somebody will set up a battery plant. Why isn't any reputed firm setting up a battery plant despite the government announcing subsidies? Because at that price, buyers aren't there.

Not interested...

The Tata Group is expected to mention its petition before the Chief Justice of India in the Supreme Court (SC) on Monday, which is appealing to squash the NCLAT order that restored Mistry as chairman.

"The recent media reports attributed to Ratan Tata and others questioning the NCLAT judgement ahead of an important hearing in the SC, profess an interpretation of corporate democracy as being one of brute majoritarianism with no rights for minority stakeholders. The question in these legal proceedings is whether the oppressive actions of a majority that stifles minority shareholders is beyond reproach and outside judicial oversight," said Mistry.

Globally, and in India, Mistry said the company law has evolved to protect the rights of minority shareholders and strengthen corporate governance. The Companies Act, 2013, has considerably strengthened the statutory protections accorded to minority shareholders from oppressive conduct of the majority shareholders. Indeed, for corporate democracy to be strengthened, all stakeholders must operate within the ambit of law and statutorily enshrined protections, said Mistry.

"The founding fathers of the Tata Group had laid a strong ethical foundation that cared for all stakeholders. The relationship between the Tata Group and the SP Group is one spanning multiple decades that was built on common agreement and mutual faith," the Mistry statement said.

"The former Tata leaders worked together with the minority partner to create value for all stakeholders," he added.

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Hard:
★★★★
Solution tomorrow

HOW TO PLAY
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Big realtors...

"DM works where partners have strong balance sheets. Today, not many partners are available. That's why we invest our own capital in the land," said Mohit Malhotra, managing director, Godrej Properties, adding the company will also earn revenue from their investment.

Shapoorji Pallonji Real Estate plans to focus on DM fees from institutional platforms where developers and large investors tie up for a number of projects and ensure financial closure of a project.

It is also looking at opportunities where a bank has restructured a project and is looking for a DM partner to develop the project for them, said Venkatesh Gopalkrishnan, chief executive at Shapoorji Pallonji Real Estate.

"Due to liquidity crunch, financial closure for projects has become more and more difficult. Shapoorji Pallonji does not go ahead with a developer without financial closure. Hence, some of the DM projects are going slow," said Gopalkrishnan.

He said his company is very careful with the DM model as it throws the full weight of its branding, marketing, and construction teams behind it.

Currently Shapoorji Pallonji's DM business has a fee potential of ₹2,500-3,000 crore in the next four to five years. "We have around 88 million sq. ft of residential development in the pipeline, of which around 12-15 per cent will be DM projects," said Gopalkrishnan.

However, some prefer to stay away from the DM model, owing to the high brand risk. One such company is L&T Realty whose chief executive Shrikant Joshi is aware of the possible pitfalls.

"The original developer/landowner remains in charge of all clearances and funds as well as delivery, while the DM partner is mainly responsible to sell and ensure cash flows. The DM arrangement is extremely easy to enter, very difficult to deliver, and impossible to get out of, with the customer and the brand at great risk," said Joshi.

That's why, as Godrej's Malhotra explains, his company puts its own funds in at the stage of land acquisition and takes full control of the project, including delivery.

I-T Act...

Therefore, a level playing clause would ensure that benefits are treated on similar lines for all trusts.

This follows recent finding by the Comptroller and Auditor General (CAG) of India in its 2019 report, bringing out irregularities and modes of exemptions under the tax provisions.

On foreign donations, the audit body pointed out that during assessment year (AY) 2009-10 to 2014-15, a trust established in 2008 donated ₹430 crore to two foreign universities, ₹232 crore for creation of endowment fund, and ₹197 crore for financing a campus building.

In this case, Central Board of Direct Taxes (CBDT) had initially rejected the claim for exemption, stating that the proposed activities of the trust are not tending to promote international welfare in which India is interested and that the same is not covered for the purpose of Section 11 of the Act. However, subsequently the CBDT reversed its order and allowed the exemption on foreign donation retrospectively from AY2009-10 to AY2016-17 for an amount of $100 million.

Without naming the trust, the audit body called this exemption irregular, pointing out that the reversal of the earlier rejected order was erroneous as the direct tax board had no power to review its own earlier order. It further added that the tax impact on account of the order was to the tune of ₹135 crore.

The audit body advised the tax department to review all trust cases without exception and ensure that all exemptions and concessions allowed to them adhered to the provision of the Act.

During a limited follow-up of charitable trusts based in Karnataka, Maharashtra, and West Bengal, CAG noticed 99 irregularities involving tax effect of ₹723 crore. It has found diversion of income/property to related group trust, exemption to assessees whose activities were not charitable in nature, lack of monitoring, etc.

The matter is back on the table after the tax department cancelled the registration of six Tata trusts in October 2019. These trusts challenged the move in the I-T appellate tribunal against the date of the cancellation.

US-Iran...

Equity-market experts expect foreign investors to remain nervous vis-à-vis their allocation for India and other emerging markets (EMs). "Foreign investors can turn to less risky assets. And EMs tend to be prime candidates for investor pullbacks whenever there is a risk-off trade," said U R Bhat, director at Dalton Capital Advisors.

"If this escalates, it won't bode well for India. Even a $1 spike in the crude oil price translates into a significant addition to the import bill. Further, it will put pressure on inflation and the fiscal deficit and lead to an overall environment of uncertainty," said Jigar Shah, chief executive officer, Maybank Kim Eng Securities. Oil is among the top items on India's import bill and a spike in prices can further widen the fiscal deficit. There were signs of risk-aversion in global markets on Friday, with gold spot prices closing 1.5 per cent higher at $1,552.2 per ounce. The Dow Jones Industrial Average (DJIA) and Nasdaq — the two benchmark gauges for US stock markets — closed 0.8 per cent and 0.79 per cent lower on Friday, respectively. This was the sharpest decline for the DJIA and Nasdaq since early December. Analysts say the Union Budget, expected on February 1, will have to factor in risks to macroeconomic conditions posed by the stand-off between the US and Iran.

Meanwhile, the Asian markets are yet to show any major signs of panic, but experts say this could change in the coming weeks. The Shanghai Composite closed marginally lower on Friday. The Korea Composite Stock Price Index (KOSPI) and Taiwan TAIEX ended slightly positive. Back home, the Nifty50 and BSE Sensex closed 0.4 per cent lower. Experts say the domestic bond markets can also feel strong tremors of the ongoing brinkmanship between the US and Iran.

"The bond prices could come under pressure if geopolitical tensions flare up and if oil remains at elevated levels for a longer period of time," said Hemal Doshi, vice-president, treasury, SBI DFHI, a primary dealer. For India, the stakes are high due to its sensitivity to crude oil, and its linkages to several other economic indicators.

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MUMBAI | MONDAY 6 JANUARY 2020 Business Standard

Preparing for an infrastructure push

The NIP Task Force has asked for a 21 per cent increase in government spend on infrastructure in 2020-21

RAISINA HILL

A K BHATTACHARYA

In releasing the report of the Task Force on the National Infrastructure Pipeline (NIP) for 2019-25 at a press conference on the last day of 2019, Finance Minister Nirmala Sitharaman sent out two important messages. One, she made it clear that she had no problem in meeting the media just about a month before presenting the Union Budget for 2020-21. Two, given the state of the economy, she saw no reason to delay any further in letting the nation know what a group of senior government officials had recommended to revive investment in the infrastructure sector.

Finance ministers and the finance ministry usually stay out of bounds for the media in the run up to the Budget. It is rare that anyone in the finance ministry, let alone the finance minister, holds a press conference when only about four weeks are left for the Budget to be presented. There are concerns over Budget confidentiality and all necessary steps are taken to maintain secrecy over what the government plans to announce in the Budget. Hence, press conferences about a month before the Budget are avoided. The only justification for holding it now would have been to send out a signal to everyone that the government was serious about the need to invest more in the infrastructure sector.

In the process, however, the report of the NIP Task Force may have dropped a few significant hints about the kind of Budget that the government was likely to present on February 1. For instance, the Task Force estimates that the nominal growth of gross domestic product (GDP) in 2019-20 will be about 8 per cent, sharply down from the earlier estimate of 12 per cent. In nominal terms, GDP in 2019-20 is projected at ₹205.37 trillion, compared to ₹190 trillion in 2018-19. What's more, nominal GDP, according to the Task Force, is expected to grow by 10.5 per cent in 2020-21 and by 12 per cent in 2021-22.

Remember that the Task Force is headed by Economic Affairs Secretary Atanu Chakraborty, with the NITI Aayog CEO and other secretaries in the finance ministry as well as other administrative ministries as members. Don't those numbers then give you a broad idea of the prevailing economic growth scenario in which the Budget for next year is being formulated? Everyone knows that economic growth is slowing, but nobody in the government, until the release of the report, had stated that the 2019-20 nominal growth would be just 8 per cent, with an obvious adverse impact on the government's tax revenues.

The report of the NIP Task Force also reveals what the next Budget could do for the infrastructure sector. The Union government's gross budgetary support for the infrastructure sector in 2018-19 was estimated at ₹1.39 trillion, which was about 44 per cent of the government's total budgetary support for all capital expenditure under different heads. In 2019-20, the share of budgetary support for infrastructure in the gross budgetary support for total capital expenditure was 45 per cent, or about ₹1.53 trillion. The Task Force has put the required figure for budgetary support for infrastructure in 2020-21 at ₹1.86 trillion. If the share of 44-45 per cent is maintained next year as well, then the Union government's gross budgetary support for capital expenditure should go up by 22 per cent to ₹4.13 trillion. Any increase that is lower than 22 per cent, therefore, would imply that the finance ministry has not accepted the report of its own committee.

The NIP Task Force also notes that the government's total outlay for the infrastructure sector should go up from ₹3.77 trillion in 2019-20 to ₹4.58 trillion, an increase of 21 per cent. This will be an ambitious goal as the total outlay for the infrastructure sector in 2019-20 had increased by only 6.5 per cent.

The share of total government outlay for infrastructure in the government's total capital expenditure (including internal and extra-budgetary resources of public sector undertakings including the Indian Railways) has hovered between 38 and 43 per cent. If this share is maintained in 2020-21, then the Budget for next year has to provide for a 21 per cent increase in the government's total capital expenditure to ₹10.65 trillion.

All these numbers suggest that the NIP Task Force has been quite aggressive in asking for a sharp increase in the allocation of government funds for the infrastructure sector in the coming year. Can the government afford to ignore the demand for higher financial outlay for the infrastructure sector? And was the decision to release the NIP Task Force's report at a news conference, just days before the Budget, aimed at putting more pressure on influential sections within the government to accept the need for spending more and easing the fiscal consolidation targets?

CHINESE WHISPERS

Fourth time lucky

While states such as West Bengal are fuming about their not being allowed to participate in the Republic Day Parade 2020, the National Disaster Response Force, or NDRF — a specialised force under the Ministry of Home Affairs — found its name on the shortlist for the first time in its history of nearly 15 years. A senior officer said this was the fourth time that the force had submitted its tableau. After having failed to make the cut owing to technical or other reasons earlier, the team preparing the tableau was curious to know its fate this time. And as the list of 22 participants was announced last Friday, it had a reason to feel happy. The tableau, as one would guess from the name of the force, will display its "alertness and prompt responses" during rescue jobs.

Day of answers

The three-day-long Budget session of the newly constituted Jharkhand Assembly commences on Monday and many questions are likely to be answered. For example, how will the state get the funds to deliver on the lofty, populist promises the Jharkhand Mukti Morcha (JMM) made in the campaign? Then there is the question about allotting portfolios and inducting ministers. If sources are to be believed, the Congress, which already has one minister sworn in, might get two more berths but there is no consensus on who will make the cut. One prominent "frontrunner" is said to be facing stiff opposition due to his son's reputation. Similarly, the Bharatiya Janata Party, which lost the election, may take a call on whether C P Singh or Nilkanth Singh Munda would become leader of the Opposition.

A sweet, warm campaign

As the Delhi elections approach, ticket aspirants have started making their bid to woo voters with some unusual gifts. One such leader, the Bharatiya Janata Party's (BJP's) Azad Singh, has jaggery and calendars — what one would argue are perfect baits, given that the New Year has just kicked in and the weather has been at its coldest in the past fortnight — as gift ideas. These articles are packed in a cloth bag (the material is important because "say no to plastic" is embossed on it) that has a phone number printed on it. Last week, they were being distributed in Vasant Kunj, with his supporters being extra persuasive with those unwilling to accept them. Even those not at home found these bags hanging from their doorknobs.

Five banking trends for the new year

This could be a year of higher NPAs, more recovery, relatively stronger bank balance sheets, low credit growth and better-managed cooperative banks

BANKER'S TRUST

TAMAL BANDYOPADHYAY

No prizes for guessing the dominant trend in Indian banking in 2020: The pile of bad loans will rise. The Reserve Bank of India's (RBI's) latest Financial Stability Report (FSR), a biannual health check of the banking system, says banks' gross non-performing assets (NPAs) may rise from 9.3 per cent of total loans in September 2019 to 9.9 per cent by September 2020.

The regulator has given three reasons for this: Changes in the macroeconomic scenario, marginal rise in fresh slippages and the so-called denominator effect. The third one is simple arithmetic — as the credit portfolio of the banks has not been growing, in percentage terms, the NPAs will rise. Yet another factor that will contribute to the rise is the divergence in banks' estimate of bad assets and the regulator's assessment. At least a dozen banks have disclosed around ₹29,000 crore divergence so far.

Incidentally, the RBI's June FSR had said with the bulk of the legacy NPAs already being recognised in banks' books, the bad loan cycle seemed to have turned around. It indicated that gross NPAs might decline from 9.3 per cent in March 2019 to 9 per cent in March 2020.

That was the second successive FSR to indicate a recovery on the bad loan front. In December 2018, the RBI stress tests observed that the asset quality of the banks improved, with gross NPAs declining from 11.5 per cent in March 2018 to 10.8 per cent in September 2018. It had even predicted that the ratio might decline from 10.8 per cent to 10.3 per cent in March 2019.

The trend has reversed. The fresh slippages will include banks' exposure to the shadow banking industry. In the past few years, many public sector banks were restrained from giving fresh loans; the shadow banks rushed to fill in the space, growing their loan portfolios at a scorching space. Those banks which were in a position to lend did give money to these shadow banks to grow their credit portfolio.

Rajnish Kumar, chairman of State Bank of India (SBI), has focused on the second trend, saying 2020 will be the best year for NPA recovery. The ₹42,000 crore recovery from Essar Steel (₹38,896 crore for the lenders and ₹3,104 crore for the operational creditors) in December after a two-year long insolvency process, fraught with court cases, is the turning point.

Around the same time, at least three more insolvency cases got resolved. The four collectively involved at least

₹65,000 crore; the banks have recovered close to ₹50,000 crore. The insolvency code, which came into effect in 2016, is maturing every day and banks are gearing up to recover money both on this platform and outside it, using this as a threat.

Another piece of good news is that banks have started setting aside more money to provide for the bad assets leading to rise in the so-called provision coverage ratio (PCR). The PCR of the banking industry rose sharply to 60.6 per cent in March 2019 from 52.4 per cent in September 2018 and 48.3 per cent in March 2018. There has been a marginal increase in PCR from 60.5 per cent in March 2019 to 61.5 per cent in September 2019. Higher recovery will encourage banks to increase the PCR and make their balance sheets stronger. The PCR of the weak IDBI Bank Ltd is at least 92 per cent and that of the SBI is close to 82 per cent.

The not-so-good news is the low credit offtake. The June 2019 FSR was bullish on credit growth. It had spoken about public sector banks registering near double-digit growth. The scenario has changed. The credit growth remained subdued at 8.7 per cent year-on-year in September 2019, though private sector banks registered 16.5 per cent growth. Till the first week of December, the year-on-year credit growth has been even lower at 7.9 per cent (versus 15.1 per cent in the previous year). Since April, in the current financial year, credit growth has been 1.7 per cent (6.7 per cent). Rating agency ICRA has pegged the growth for the current year at 8 per cent, a 58-year low.

Slowing economic growth and lack of demand are playing out on the credit turf. Trigger-happy investigative agencies have also been contributing to this. The bankers are scared of being grilled by such agencies, served look-out notices and even jailed. They don't want to take credit decisions.

Finally, the cooperative banks will have to change the way they function, following a series of RBI steps in the aftermath of the collapse of a large multistate urban cooperative bank (UCB). The banking regulator wants the UCBs with at least ₹100 crore deposits to have professionally run boards of management; it will also have a say in the selection of the CEOs, treating the UCBs on a par with commercial banks. The "fit and proper" criterion will be applicable to their directors as well and, if they don't toe the line, they will not be able to expand their branch network.

The large UCBs with total assets of at least ₹500 crore will have to report all credit information, including accounts showing signs of stress, for exposure of ₹5 crore and above to the central bank's real time data repository. The quarterly exercise has begun on December 31. The RBI also proposes to pare the single and group borrowers limits of such banks. Currently, they need to disburse 40 per cent of their loans to the so-called priority sector. The plan is to raise the limit to 75 per cent, on the line of the small finance banks (SFBs).

The RBI has been trying to woo the cooperative banks into the fold of SFBs. The on-tap licensing norms for the SFBs are in place. Let's see how many UCBs knock on the open window.

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd. His latest book is "HDFC Bank 2.0: From Dawn to Digital".
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AS I SEE IT

Where are the tough questions?

Nothing illustrates the growing inclination to "follow the leader" with an uncritical, unquestioning gaze like PM Modi's TV interviews

KARAN THAPAR

I often meet people who are incredulous at the media's uncritical attitude to the Modi government. Some call it "capitulation", others "supine" and many "pusillanimity". This is something almost everyone has noticed. Yet it's also a subject on which most journalists are silent. If they at all speak its behind closed doors and in confidence.

Thankfully Rajdeep Sardesai has spoken out loudly, clearly and forcefully in his book *2019: How Modi Won India*. "In the Modi-era, the media's collusion with the political executive has touched such unprecedented heights that the reality checks that the press is supposed to provide on the claims of those in power simply do not exist...rather than speaking the truth to those in power, there is a growing inclination to "follow the leader" with an uncritical, unquestioning gaze."

Nothing illustrates this better than the way Mr Modi is interviewed on television. It's done with obvious deference which leaves little opportunity to challenge or, even, cross question. Instead of focusing on a few well-researched subjects which are pursued with diligence, each question changes the issue. There's no follow up. Consequently, a multitude of subjects is raised without any meaningful achievement. Equally importantly, the Prime Minister is permitted to answer at exorbitant length, often rambling and frequently changing the subject and getting away with it.

Worse, is the character of the questions. Not only are awkward issues avoided but the questions are emolliently phrased and gently asked. Instead of bringing up his lapses or misjudgements, the Prime Minister is usually asked to hold forth on the Opposition's alleged errors. Rarely is he questioned about things that have gone wrong under his charge. The net result is the interview lacks rigour. It feels like an easy ride.

Even during the recent elections, when there was a moral duty to treat Opposition and government alike, we had, instead, undeniable favouritism. Rajdeep illustrates this with reference to Rajat Sharma's interview of Mr Modi but he could just as easily have used his own channel's. What he says of the former applies equally to the latter: "It wasn't just a news show: This was a theatrical performance being enacted against the backdrop of a decisive election."

He writes television news created "a '*mahaul*' (ambience) in which Modi was seemingly invincible and the Opposition cripplingly inept." I would go further. Instead of watchdogs that should growl at the authorities, even if occasionally mistakenly, most of our television news channel behaved like guard dogs, who seek to protect, or pet dogs, who just wish to be liked.

Compare the way the British media treated Boris Johnson with our treatment of Narendra Modi. When Johnson refused to participate in a Channel 4 debate, it kept an empty chair with a melting ice statue resting on it. When Johnson refused to give BBC's Andrew Niel an interview the Corporation circulated a WhatsApp meme pointing this out.

In contrast, this is what Rajdeep writes of our media's behaviour last year: "I have never quite seen an Indian election where the mainstream media narrative, with rare exceptions, was so blatantly and horribly one-sided."

Now we've even reached the point where editors unilaterally edit opinion pieces though they're published under the authors name with a clear warning they don't reflect the newspaper's views. If the adjectives used to criticise the government are stinging, they're toned down. If a fact is cited that shows the Prime Minister in poor light, it's deleted. So great is the fear of governmental wrath columns are diluted to make them acceptable. And this is how the media defends freedom of speech!

I agree with Rajdeep's conclusion though I would have put it more forcefully: "The space for a free and independent media that offers democracy its much-needed oxygen is rapidly shrinking." Unfortunately, Rajdeep doesn't ask and, therefore, doesn't answer the question why has this happened? Is it fear of retribution? Are editors enamoured of Mr Modi? Or are proprietors to blame?

Sadly, 2020 doesn't hold out the prospect of credible change. The Indian media has forgotten how to thunder and roar. We've become pussy cats who prefer to curl up beside a warm fire. So I wonder how many will heed Rajdeep's warning: "We certainly need to rediscover a spine or else be pushed into growing irrelevance"?

LETTERS

A shameful chapter

Over a hundred infant deaths just in a month's time at a government-run hospital in Kota are a national shame. They make a statement: India is no country for newborn babies. The ineffable joy of childbirth is lost when a neonate dies. As a nation, we seem to have become desensitised to infant deaths. Registering the highest number of infant deaths in the world is a dubious record that India should not have let itself have.

The central and state governments try to evade responsibility for the infant deaths for which both should take the blame in equal measure. Political sparring is no substitute to remedial action. It is poor consolation to say that infant mortality rate has been on the decline over the years when it still figures around 30 per 1,000 live births. We must admit that infant deaths constitute one of the serious challenges we face.

It is not merely a question of poor medical facilities, inadequate medical staff and medical negligence, though all of these must be addressed on a priority basis. Pre-term complications malformations infections and asphyxia are identified and cited as the main clinical causes for infant deaths. They are certainly among the immediate and detectable causes.

At the same time, there are also deeper causes that increase the vulnerability of infants to death. Babies born in impoverished and "low caste" families suffer from low birth weight and health risks without a fight. It is a self-evident truth that the nutritional status of the mother and the newborn is of vital importance for survival. Food security is assured only by better financial resources. Access to clean water, sanitation and better living conditions in a pollution-free environment matter brighten the chances of survival. In regions where caste holds a sway, the rate of infant mortality is greater. Another fact is that lower maternal age, say below 20, invites the risk of neonatal mortality.

Economic empowerment of poor families and improvement of their quality of life are the lasting remedies for infant deaths. As a nation, if we are to be really "pro-life", we have to do all that is humanly possible to end preventable child morbidity and mortality.

G David Milton Maruthancode

Is cash really bad?

This refers to "Let's stop making cash the villain" by Ajit Balakrishnan (January 3). The author deserves accolades for destroying a myth and playing the "devil's advocate" for cash. Cash is the most convenient and anonymous financial instrument. The current narratives against cash in India flows from a dubious belief that it lies at the root of black money, bribery, tax evasion, all of which lead to money laundering. It is not cash which gives rise to all these seemingly illegal practices, but it is the 24 X 7 election-dominated democratic system that forces business and corporates to generate black money to grease the wheels of democracy through the political machinery. In India, the basic purpose of promoting a cashless or "less-cash" society is to force citizens to leave behind trails or foot prints that can be used to chase the tax evaders and enable cherry picking depending upon the proclivity and whims of the political administration.

It is common knowledge that large-scale tax evasion in India comes more from large businesses and corporates rather than from private individuals. If that be so why should we curtail the liberties of innocent individuals and force them to go cashless, thereby enriching the fin-tech companies and such other intermediaries? After all, payment through electronic means is by no means cost free as it is made out to be. Look at the losses of prominent fin-tech companies and e-payment platforms in India. The solution lies in educating the society.

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HAMBONE

Business Standard
Volume XXIV Number 102
MUMBAI | MONDAY, 6 JANUARY 2020

A credible Budget

Govt should transparently present the state of its finances

The evolving economic situation is making Union Finance Minister Nirmala Sitharaman's job increasingly difficult, as she prepares to present the Union Budget in less than a month from now. A senior finance ministry official has been quoted as saying that the government may not be able to complete the strategic sale of Bharat Petroleum Corporation (BPCL), Container Corporation of India, and Air India in the current fiscal year. As the government was expected to raise over ₹56,000 crore by selling its stake in BPCL, a significant shortfall on account of disinvestment will put additional pressure on government finances.

But disinvestment is not the only problem. Tax revenues are also likely to fall short significantly. The fiscal deficit in the first eight months of 2019-20 stood at 115 per cent of the full-year target. A sharp correction in the remaining months of the year will be difficult because of muted tax inflow. The collection of advance corporation tax, for example, fell by 5.2 per cent in the December quarter. While collection from goods and services tax was above the ₹1-trillion mark in December, it fell short of the target of ₹1.1 trillion, set for the last four months of the fiscal year. Therefore, to contain the fiscal deficit under 3.3 per cent of gross domestic product, the government will have to significantly cut expenditure or postpone payments. Most analysts expect the government to overshoot the deficit target, partly because of slower than projected economic growth. Therefore, in the given situation, all stakeholders would broadly look for at least three big things in the upcoming Budget.

First, the government will be expected to present a genuine assessment of the economy. Painting an unrealistic picture at this stage will affect the government's credibility and reduce the possibility of hard decisions to revive economic growth. Second, the Budget will make it clear how far the government intends to support the economy through fiscal means. It should carefully assess its options. A sharp slowdown should not be seen as a licence to go for an unbridled expansion of the fiscal deficit. The government cannot be seen as uncaring about its finances, even in the short run. Further, the Budget will also bring clarity on the revenue position in 2018-19 because the revised estimates in the July Budget did not present the true picture. It's time the government recognised the fiscal problems and presented its finances transparently. Postponing expenditure or shifting liabilities to public sector entities cannot go on forever.

Third, the government will be expected to present a credible fiscal consolidation road map. This, to a large extent, will depend on a proper assessment of the economy. For instance, the National Infrastructure Pipeline assumes an annual nominal growth rate of 12.2 per cent between 2020-21 and 2024-25. Assuming inflation at 4 per cent — the midpoint of the Reserve Bank of India's target range — this means the government expects the Indian economy to grow at over 8 per cent in real terms. Such assumptions for fiscal projection will unnerve the markets and make the Budget unrealistic and less credible. The government lost a chance in July to set things right; it should not lose another.

Unhealthy politics

Kota tragedy shows why states should get priorities right

Rajasthan Deputy Chief Minister Sachin Pilot was bang on when he said on Saturday that there was no point blaming the previous Bharatiya Janata Party (BJP) government for the unimaginable tragedy in the J K Lon government hospital in Kota. Mr Pilot had an obvious reason to take a dig at his own party's government in Rajasthan, but he should know that a political blame game as usual will lead nowhere. Over 100 children have died in the hospital over the past month for reasons that mostly have to do with lack of basic equipment — cannulas, ventilators, infant warmers — and callous medical staff and administration. These reasons mirror those that caused the serial deaths of children, mostly from encephalitis, in Baba Raghav Das Medical College in Gorakhpur, Uttar Pradesh, in 2017 and the acute encephalitis syndrome outbreak in Bihar, killing over 150 children.

These incidents should have led to a nationwide audit of facilities at public hospitals, but politicians opted for what they do best: More politicking. Some FIRs were filed against senior medical staff members but a year later, ground reports stated that the hospital had not upgraded or expanded facilities. Significantly, it had stopped issuing health bulletins altogether. In the case of the Kota facility, the health minister has alluded to allocations for an expansion of beds when the Congress was in power before 2013, but the money does not appear to have been spent under the successor BJP government (2013-18). Meanwhile, the Centre has dispatched a team to investigate the causes of this high death rate.

The script is all too familiar. But unfortunately, it does nothing to break the disheartening chain of corruption and negligence that occurs in the public health sector across the country. It is worth noting that in Kota, Gorakhpur, and Bihar, the victims were from poor and marginalised families who could not afford the relatively well-equipped but more expensive private hospitals. Yet in at least two, priority has been focused on headline-grabbing schemes such as loan waivers and associated freebies rather than on the basics — health and education. The case of Rajasthan is particularly ironic because the Congress manifesto for the 2018 Assembly elections had promised to bring in a Right to Health Bill if it came to power. Far from fulfilling this commitment, the new government has neglected its health programme. The 2019-20 state Budget made a marginal increase in allocation for health and the sector's share in state expenditure dropped from 6.16 per cent to 5.97 per cent. Funds for the state health insurance scheme launched by the previous BJP government, as well as expenditure on free medicine and diagnostics, have been reduced.

There are still no signs of the promised "Janata Clinics" that were to be modelled on the lines of the Aam Aadmi Party government's "Mohalla Clinics" in Delhi, though the state announced loan waivers to some 1.9 million farmers — a move that has long proven unproductive in terms of relieving agricultural distress in the long run. At number 29, the state's ranking in the national Human Development Index is not much to write about, and it falls way below the national average. If Mr Pilot wants to act on his assertion, he would do well to reset his state's priorities to ensure that the poorest citizens do not die for lack of basic health care.

ILLUSTRATION: AJAY MOHANTY

India's stranded workers

Across the world, workforces 'stranded' by technological, regulatory, or climatic change have become politically crucial to the rise of populism

POLICY RULES

MIHIR S SHARMA

Finance has woken up to the problem of "stranded assets". Typically, stranded assets are installations like thermal power plants that are being rendered unremunerative or unproductive ahead of time because of changes in the economic or political environment. For example, when it comes to coal-fired plants, climate change-related regulations might have been strengthened, input prices might have been increased or coal linkages removed, and alternative technologies such as solar power might have become more competitive than expected. It has now become clear that such problems need to be taken into account when examining the strength of balance sheets and the exposure of banks. Parenthetically, this is part of the reason why the government's renewed emphasis on opening up coal mining to private players might be dangerous if funded by nationalised banks — it might lead to a further build-up of non-performing assets down the line.

Yet there is an analogue to the stranded assets problem that needs to be taken into account when planning development paths — and that is the problem of "stranded workers". Across the world, such stranded workers have become politically among the most salient factors in the rise of populism. Consider the vast changes in the political landscape of the United States of America in the past three to four years. The election of President Donald Trump was powered by an unexpectedly robust showing in former industrial and mining areas. A similar phenomenon has taken over the politics of the United Kingdom. The industrial and mining areas of the north of England, which have traditionally been Labour heartlands and had a strong disdain for anything Tory, nevertheless voted Conservative in large part in the last election to sweep Boris Johnson back into Number 10. In France, meanwhile, the "yellow vest" protests are perhaps the most explicit expression of this phenomenon in that the spark for the anti-establishment crowds which often paralysed France's cities and towns last year was an attempt to increase fuel taxes, which was explicitly linked to climate change and which some protestors claimed would put them out of business.

It has long been argued, since the political scientist Mancur Olsen formalised the question, that coalitions to block reform are easier to assemble than coalitions to support it. Reforms often have diffuse and uncertain benefits — in the sense that no individual knows for certain how much she might gain, and they might individually not gain that much at all — while those losing from a reform are fairly certain of what their downside is. Forming such coalitions of angry "losers" is therefore much easier. What we are seeing at the moment in many parts of the world is that problem writ large. The issue is often blamed on "globalisation" or trade. For example, the "China Shock" theory due to the economist David Autor and others posits that some specific and areas of the US' Rust Belt suffered severe and concentrated job losses due to trade with China, even though the overall effect of trade on jobs might not have been severe. (This result is still contested.) But this is in some sense too narrow a focus. As many others, such as the US presidential candidate Andrew Yang, have pointed out, stranded workforces can also be created by technological change such as increasing assembly line automation.

The economic, social and political impact of workforces being metaphorically stranded by such changes are multiplied manifold when they are literally stranded, as well. In other words, if such workers are for some reason unable or unwilling to move their physical location, then they are even less able to benefit from the countervailing efficiency gains of the technological or regulatory changes. Labour mobility is crucial for any changes to have their full effect on wages and welfare. The shift from the "Dust Bowl" of the south central US to the east coast in the previous century, for example, was driven by weather patterns rending farming unremunerative in vast parts of the country, but also by the possibility that a fast-growing California would provide livelihoods. By some estimates, the majority of those who moved were in fact white-collar workers. The lack of a social security net turned this into a humanitarian tragedy. It should have been managed better, because the influx was crucial in restoring some balance to the US' internal economy. Such balance is not easily discoverable in today's economy, since geographical mobility is no longer as easy as it once was. For example, those who have bought houses in freshly depressed areas are particularly reluctant to move because the value of real estate may have greatly depreciated following a regional downturn. Thus, moving means accepting a major capital loss. Of course, there are social reasons as well: Communities that have developed solidarity rarely want to dissolve themselves. Unfortunately, such solidarity can also sour and turn against "outsiders", which is part of what underlies the cultural and political cleavages that appear to be widening across the world.

The lesson here for India is to be particularly mindful about the creation of stranded populations, whether metaphorical or literal. Because our economy has not created large industrial clusters in recent years, it is easy to suppose that these problems are not relevant. But, in fact, what unites the stranded workforces in various geographies, including India, is that their expectations do not match their reality, thanks to broader changes in the economy, to technology, to regulation, or the climate. In India, therefore, we have traditionally had to worry about workers in the public sector. Privatisation has been politically controversial for precisely this reason. But, going forward, we will also have to worry about tens, perhaps hundreds, of stranded workers in economically less dynamic parts of the country, and skilled only in sectors — whether retail or manufacturing micro-enterprises — that will be made less labour-intensive or rendered unprofitable by changes in technology or regulation (such as goods and services tax). It is not just retraining that will be needed in some cases, but an actual case for training; and, also, mobility across the country needs to be made more palatable. Workers will need a welcoming environment — ample housing and familiar food — in otherwise dissimilar regions. And those host areas will need to be reassured that they are not losing their cultural identity or political autonomy. India's stranded workforce problem is similar to the rest of the world, but also has particular requirements: Basic training and a different model of federalism. Without urgent thought to these issues, the political chaos in the rest of the world will be revisited a hundredfold on India.

Ease of living, in a punitive state

IRRATIONAL CHOICE

DEBASHIS BASU

Under this government, slogans, memes, catchphrases, alliterative coinages, and clever abbreviations abound. One of them being repeated *ad nauseam* is ease of living. Like the other slogans, this one too sounds highly ironic, given that the state is creating an endless cycle of stress for its citizens, for which the faceless administration is never held accountable. Here is a short sample. Remember, while these examples are chosen at random, it reflects a bias — that of urban, middle-class people. In all fairness, ease of living should work first for the poor, mainly in rural areas. But we get to know less of what is happening there, even though punitive action by the state hurt them more.

Demonetisation: This Tughlaq-like move was the mother of all blows to ease of living and set the tone for what to expect. Demonetisation, as anticipated, did not eliminate corruption, yield black money, or reduce cash levels. But it inflicted unnecessary and large-scale suffering mainly on the poor.

Forced Aadhaar: Narendra Modi, who was dead against Aadhaar when the Congress was in power, started pushing this project with evangelical zeal once he became prime minister. His style is take no prisoners and offer no reasons. So he never deigned to explain his 180-degree turn and Aadhaar was pushed down our throat when it is clear that the number is not proof of residence, citizenship, identity, or even of existence because no one has verified the authenticity of the Aadhaar database! But from birth to death, Aadhaar was being made mandatory, putting people, especially the poor, to enormous risk and hardship. A mid-2018 report says that more than 2 million people in just three states were not getting their rations because of Aadhaar. That's not ease of living; it is a punitive state in action.

Bulldozing electric vehicles: "We should move towards alternative fuel ... I am going to do this, whether you like it or not. And I am not going to ask you. I will bulldoze it." That was Nitin Gadkari, minister for roads, transport and highways, speaking to automakers on September 8, 2017. Separately, the NITI Aayog has warned that if manufacturers of two- and three-wheelers do not meet a short deadline to produce electric vehicles (EVs), they will be asked to pay up for causing pollution. To bulldoze an existing industry with intricate backward and forward linkages, and to order a new one to come up in its place overnight, is neither ease of business, nor ease of living. It is another example of a punitive state in action.

GST Raj: Goods and services tax (GST) imposes criminal penalties for a range of violations — from simple mistakes to frauds — no matter the size of the enterprise. GST commissioners can arrest people without registering an FIR and businessmen do not have the option of anticipatory bail. The GST law empowers the GST commissioner to arrest a person merely if he has "reasons to believe" that he has committed an offence under Section 132 of the Central GST Act. GST laws and practices make for a particularly fertile ground of punitive actions.

Vehicle fines: The new Motor Vehicles Act has imposed draconian fines for every kind of violation. These are so egregious and excessive that one of the first states not to follow them was BJP-ruled Gujarat, followed by several others.

Jail term for lapses in corporate social responsibility: In August last year, the government made specified corporate social responsibility (CSR) spending mandatory for a large cross-section of firms. Worse, lapses were supposed to be penalised, not just with fines but also a jail term for the designated executive for up to three years. This caused so much uproar that the state rolled it back. Why not some punitive action for ministers and *babus* who thought of this mindless monstrosity?

Jail for late filing of I-T returns: Section 276CC deals with failure to file returns on time. If the tax amount is more than ₹1 lakh, it attracts rigorous imprisonment for six months to seven years, plus a fine. What happens if the taxpayer pays up the tax amount due on his own with penalty? The law does not envisage a scenario where there is no tax amount due anymore, only the filing was late. The department wants to jail the taxpayer, who is not a tax evader, even in such cases.

Tax laws and circulars are draconian, and getting more so everyday, on top of the stiff targets set for the department by the finance ministry. I am told that the Income-Tax Department has targets for issuing prosecution notices and other penal provisions, which are monitored weekly by New Delhi. But there will be no ease of living for taxpayers because the government does not recognise that both the tax laws and the department's attitude as a whole are punitive. That's because the prime minister does not see this as a systemic problem; he believes that only some "black sheep in the tax administration may have misused their powers and harassed taxpayers".

It is common sense that a combination of draconian laws and corrupt machinery will cause widespread extortion and distress. Why can't *netas* and *babus* see this? Maybe they know it. And so they have coined #EaseOfLiving to preempt anyone from seeing how the state thinks that citizens alone are the culprit and liable to be fined and jailed for failing to navigate their mindless rules. Ease is living is ABCD of governance today — avoid, bully, confuse and deflect any discussion about a punitive state.

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Language and power

BOOK REVIEW

PARUL SEHGAL

This morning, a couple stood outside my window, arguing. "What does that mean?" the woman kept saying. "What does that even *mean*?"

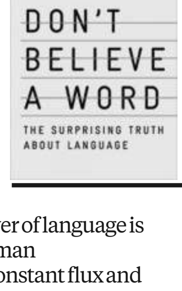
"It doesn't mean anything," the man kept responding. "Listen to what I am saying. You know what I'm saying."

"What does *that* mean?" she said, and finally, with dangerous composure: "I'm *so* glad we had this conversation."

It's astonishing that humans are expected to make our way in the world with language alone. "To speak is an incomparable act / of faith," the poet Craig Morgan Teicher has written. "What proof do we have / that when I say *mouse*, you do not think / of a stop sign?"

Don't Believe a Word, a new book by the *Guardian* writer and editor David Shariatmadari, delves into the riddles of language: The opacities, ambushes, dead ends, sudden ecstasies. It's a brisk and friendly introduction to linguistics, and a synthesis of the field's recent discoveries. So much more is now known about how language evolves, how animals communicate and how children learn to speak. Such findings remain mostly immured in the academy, however. Our "insatiable appetite for linguistic debate," Shariatmadari writes, is born out of confusion. "Why *do* millennials speak their own language? Do the words they choose reflect the fact that they are superficial, lazy, addicted to technology? How can you protect a language against outside influence? Does the language we use to talk about climate change, or Brexit, change the way we think about them?"

Mr Shariatmadari organises his book around a few core misapprehensions, taking decisive aim at some well-chosen foes. Enemy Number One: The pedant or self-styled grammar snob, who has been with us for at least 400 years judging by the examples presented here, wringing his hands and lamenting the decline in linguistic standards. "Even though the idea that language is going to the dogs is widespread, nothing much has been done to mitigate it," Mr Shariatmadari writes. "It's a powerful intuition, but the evidence of its effects has simply never materialised. That is because it is unscientific nonsense."



DON`T BELIEVE A WORD
The Surprising Truth About Language
Author: David Shariatmadari
Publisher: WW Norton
Price: $27.95

The expressive power of language is undiminished, but human communication is in constant flux and ought to be understood, this book argues, as "a snapshot" of a time, place and particular community of speakers. Even the simplest words alter with time. "Adder," "apron" and "umpire," for example, were originally "nadder," "napron" and "numpire." Bird used to be "brid," and "horse," "hros," transpositions of letters that later became the norm. "Empty" used to be "emty" — a transformation that reveals physics at work, according to Mr Shariatmadari.

Of all the factors that transform how we communicate, none are so powerful as young people, who have always steered language. They remake it as they learn it, inducing in older people a powerful sense of "linguistic disorientation." (Symptoms include petulant tweets and letters to the editor.)

To speak about language is always to speak about power. There is the power of linguistic innovation, which is often met by the powers of stigma and contempt, of racism and class prejudice. Perhaps no dialect has come under more hysterical attack than African-American Vernacular English (AAVE). In the book's strongest section, Mr Shariatmadari reveals how little the so-called guardians of the English language understand about English, let alone the particular innovations of AAVE, which linguists have described as a rule-bound language that has given us at least one new verb tense.

The scope of *Don't Believe a Word* is impressive. It pauses to consider what modes of communication can tell us about the working of the brain, its role in communal violence in India and whether some languages are genuinely richer, more expressive or efficient. Mr Shariatmadari is an earnest writer — clarity, not style, is his priority — but the quirks of human and animal speech are strange and alluring enough to leaven the narrative. Who knew that dolphins had accents?

It's curious, however, that a writer so word-besotted should have such a blind spot for literature. Of course young people break and remake language. But so do poets. John Berryman was much on my mind as I read this book: "Nouns, verbs do not exist for what I feel," he wrote in "Epilogue." So was Emily Dickinson's splayed syntax and idiosyncratic punctuation, and the experimentations of Paul Celan, who once wrote to his wife from Germany: "The language with which I make my poems has nothing to do with one spoken here, or anywhere."

Nor does this book explore some of the knottier questions it so tantalisingly dangles. How *does* language shape (or even impede) our understanding of Brexit and climate change? Mr Shariatmadari also introduces Noam Chomsky's point that most human speech is internal and exists as thought, but doesn't wrestle with what we know (what we *can* know) about its evolution. Are the shape and structure of our thoughts as prone to rapid reinvention as verbal and written communication?

In providing the reader a foundation in rudimentary linguistics and its history, Mr Shariatmadari is perhaps prompting — even inducting — us into thinking through such issues ourselves. I can echo my agitated neighbour: I am glad to have had this conversation.

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"Even though same store growth is muted, we are opening stores and carrying on with plans of expansion"

SAMIR MISRA
Chief operating officer, V-Mart

"Electric vehicles will continue to pick up and based on the current trends we will be close to 100 per cent electric in the next 5-6 years"

GREG MORAN
Co-founder & CEO, Zoomcar

"Turning kirana stores into omni-channel stores that can take orders online leads to spike in their sales by 20 to 40 per cent"

ARVIND MEDIRATTA
MD & CEO, Metro Cash & Carry India

Travelling in the shadow of a slowdown

What makes companies invest, hire and expand their capacities when the economy teeters under the pressure of a prolonged downturn

T E NARASIMHAN

It has not been an easy year to live down: 2019 has tested Indian industry's perseverance and patience, as private consumption has shrunk and the storm clouds of an economic slowdown grown darker. Most companies have hit back with a drip of counter measures such as cutting back on production, cutting down employee counts and putting research and innovation expenditures in abeyance. But a few have eschewed popular wisdom; hiring instead of firing people, pushing for greater capacity utilisation and launching new labels and extensions instead of pruning the list down. A look at what some companies are doing differently and why:

Some like Vivo (left) and Hyundai (top) are pushing for greater capacity utilisation and launching new labels

Hyundai: More cars, expanded dealer networks

The auto sector is among the worst hit in the country. Sale of passenger vehicles (PVs) fell by nearly 18 per cent in April-November 2019 over the same period last year. Within PVs, the sales for cars and vans declined by close to 25 per cent and 35 per cent respectively for the same periods, according to the Society of Indian Automobile Manufacturers. While there are green shoots; according to the sales reports of seven out of 15 passenger vehicle makers released early this week, the entire auto segment grew by 2.08 per cent at 208,546 units in December 2019, it is still too little and too early to embody hope or cheer.

In response, many companies have cut production and capex, some passenger car companies have halved their manufacturing capacities according to industry estimates. But Korean auto major Hyundai is cranking up the production line. The company says capacity utilisation is almost 90 per cent (annual production capacity is 765,000 units) and it is investing around ₹7,000 crore on new products and new capacity.

Hyundai India has also held firm on employee strength. S S Kim, Hyundai Motor India (HMIL) managing director and CEO said, "There has been no layoff so far as we have a responsibility towards our employees." Established systems and processes help mature companies to spot changes and take appropriate action said Aditya Narayan Mishra, CEO, CIEL HR Services.

Hyundai has also spread its dealer network. The number is up from 490 in January 2019 to 515 at present. Plus, several new models were rolled out in the midst of the downturn. And in December, the company showcased its new compact sedan Aura.

According to the company, its strategy has been to treat the ongoing slow period as a cyclical downturn that will even out in the long run. At the same time, exports have served as an effective de-risking strategy. While the share of domestic market sales for HMIL fell by around seven per cent (industry down by 13 per cent), exports grew by 20 per cent and accounts for 25-35 per cent of the volume. The flexibility of its production facility to switch from one set of models to another, and the portfolio management approach of exports and domestic, has helped Hyundai, said Kim.

Nestle: Launches, innovations and wider distribution

Reeling from shrinking consumer expenditure, a Nielsen report forecast that consumer goods companies ought to expect around 9-10 per cent growth for FMCG sector in FY2019, down from high double digits in the past. Demand was on the wane the report said, especially from the rural market.

Nestle India during the quarter ended September 2019 clocked 10.5 per cent growth in its domestic business. Numerous launches and brand extensions have helped the company ride smooth in a bumpy economy.

"I believe that a consumption slowdown is an opportunity for engagement and companies will have to make their brands robust, continue to innovate, and bring differentiation at a reasonable price," said Suresh Narayanan, chairman and managing director, Nestlé India.

The company said it has made 61 innovations (changes in taste, new look, additional ingredients and so on) in its product lines since 2016. For example, several new flavours for Maggi, a new Milkybar called Moosha and Kitkat dessert delight.

A report from ICICI Direct Research notes that Nestle has increased the pace of innovations. Success rates are high too. Out of 61, 40-45 have been successful and just 10 per cent of the total launches have been withdrawn. Contribution to sales from new launches has grown from 1.5 per cent to 3.7 per cent over the last three years.

Nestlé India's operating model is divided into 15 clusters to minutely track local issues and product performances.

Vivo: Expansions, launches and more jobs

Keeping consumers happy and interested in the brand has been the key to tiding a slowdown said Nipun Marya, director Brand Strategy at Vivo. "We have been able to tap the market opportunity with irresistible offers for our customers. Having said that, even the smartphone industry is not immune to large scale macro-economic factors," he added.

While the company is cautious about the times ahead, it is investing ₹7,500 crore in its Uttar Pradesh facility and added over 2,500 employees taking the total to over 10,000 employees this year. More will join the workforce, Marya said.

Vivo credits innovative features and sustained brand visibility for its success. The company has straddled both the omni and online sales channels with equal aggression. It has even experimented with online-only models (Z and U series) which have subsequently been launched on all retail channels. Vivo's market share grew from 17 per cent in January 2019 to about 23 per cent in October 2019 (as per GFK), highest ever market share recorded by Vivo in India so far. Stepping out of the groove to tap to a different tune has paid off for these companies but to propose this as universal strategy to beat the recession is still a long shot.

Mixing it right for an advertising hit

In a multi-channel, multi-format world, Indian brands make the best impression when they mix digital and print: Google Research

ROMITA MAJUMDAR

Even as brands' reliance on digital as a marketing channel grows, the value of print is being driven home by a new set of studies and experiences. A recent study by Google and Kantar suggests that digital may bring in more bang for the buck, but without print, brands may end up making a weak impression.

For brands looking at the wide variety of options in terms of media channels and opportunities in terms of the tools on offer, the big question being asked is whether one ought to wade deeper into the digital pool, or float between the two big advertising channels, print and online display. Google's research team came up with a few answers with the help of a Kantar Crossmedia study.

The study found that print ads were four times more effective than display in driving impact with each impression based on gross rating points (GRP), but display ads were five times more efficient in driving incremental reach.

By looking at how heavily brands invested in print and display as well as the incremental brand impact of each touch point, they found that display ads drove approximately the same level of incremental brand impact — but with one-third the investment. Ultimately, the study revealed that print drives greater impact while display is more cost efficient. When marketers use both, they can deliver greater impact at a reasonable cost.

IMAGE:ISTOCK

While the two formats aren't the same, display (online) ads are often compared to print ads because of their visual similarities. But when it comes to sizing up the impact of the two, marketers have the benefit of established industry norms and guidelines for print ads. Things aren't quite as clear when it comes to display ads, which raises some complex questions.

MAKING THE RIGHT IMPRESSION

- Print ads are four times more effective than display in driving impact, but display ads are 5X more efficient in driving incremental reach
- Display ads drove approximately the same level of incremental brand impact — but with one-third the investment
- Print drives greater impact while display is more cost efficient. When marketers use both, they can deliver greater impact at a reasonable cost

S Swaminathan, CEO and co-founder of Hansa Cequity cautions that it is important to consider the expected reach that a brand is looking for before deciding which way they want to go. For example, large ecommerce brands tend to advertise heavily in print whereas niche digital first brands like health and fitness enablers will have a larger digital presence.

For marketers who use a combination to achieve these goals, pre-determining the combined spend can make planning easier. Vishal Chinchakar, chief digital officer at Madison Media, notes in the Google-Kantar study that, "Timing is key when thinking about combining print and display. Media planners must bring an integration mindset to planning meetings for the most effective campaigns rather than thinking about it at the execution stage."

Across all campaigns that included print, the most efficient ones spent up to 20 per cent of the budget on print. Meanwhile, campaigns that included display spent a maximum of 10 per cent on display. The optimal spend for print and display combined is 30 per cent, the study said.

"Traditional brands can often go for a primary print and TV presence while digital becomes a supporting campaign. It depends on the level of engagement the brands seek from the target audience. Print creates more recall but if brands are looking for immediate action/ engagement they are likely to go digital first," said Swaminathan. The idea is to understand what you want from the audience first, before deciding how much you want to spend on either format.

QUIZ 647

1 Name the brand that is named after the Goddess Amba Devi. There is a famous temple of this goddess in the town of Amravati in Maharashtra.

2 Which Warren Buffet owned company is seeking wannabe singer-songwriters to pen a new theme song for the company and win $25,000 as a reward?

3 At the age of 15, this person began writing down ideas for inventions and making other notes in a pocket diary, a practice he maintained for the rest of his life. He sketched concepts for a rotating billboard, a machine for cleaning shoes and a trick safety pin. Later, he worked in a print shop and published a magazine called the *Amateur Chemists'*. Name this person who launched an industry.

4 Connect names of places on alocal Philadelphia train route and the cities of London, Chicago, Geneva, Toronto, Venice, Los Angeles, and San Francisco and what do you arrive at?

5 Connect the baselines "As Chicago as it gets" and "Give the lady what she wants" with pneumonia and eventually the death of a business pioneer.

6 Name the brand has released ads based on the theme of "Do Nothing".

7 For the love of it has now become___in the US markets. Name the brand also.

8 Which tech industry related firm gets its name from a higher order function which is a part of the LISP software language?

9 Who is competing with "*Apni Dukaan*" by introducing "*Desh ke Nayi Dukaan*" in India?

10 Where do you find these three brands together as sponsors?

COMPILED BY GAURAV SRI KRISHNA, www.facebook.com/gaurav.s.krishna

ANSWERS TO THE STRATEGIST QUIZ 646 (Special)

1. Tropicana
2. The Jasmine Revolution in Tunisia which started in Dec 2010 spread across the Arab world like wildfire.
3. They were subjected to one of the largest Distribuited Denial of Service Attacks in the last decade.
4. Volkswagen
5. Microsoft Corporation
6. The top four largest IPOs of the Decade starting from 2010
7. Rouge Airlines that was founded in 2013 by Air Canada as a low cost airline
8. All these are tech consumer brands that shutdown in the last 10 years
9. American Express
10. StumbleUpon was a discovery and advertisement engine (a form of web search engine) that pushed web content recommendations to its users. It co founded by Garett Camp and Red Swoosh was founded by Travis Kalanick and sold to Akamai, both went on to found Uber

One lucky winner will receive a cheque for ₹2,000. Send your entries to strategist@bsmail.in. All entries must carry the postal address of the contestant. Last date for receiving entries is January 7 till 8 pm. Previous winners and employees of *Business Standard* and their families are not eligible to participate. The winner is chosen on the basis of the first correct entry received.

There were three correct entries to Quiz number 646 (Special). The winner is AR Srinivasan from Chennai

'The India production business is a big opportunity'

There is a need for noisy, high-impact shows that can get to the screen quickly, Forde tells **Vanita Kohli-Khandekar**

Q&A
MATT FORDE
Managing director International production & formats BBC Studios

What exactly does international production and formats do?

It is about re-imagining original scripted IP (intellectual property) from the UK. Previously, local producers would take scripts, or buy licences, from us and make a local version of some of the most successful BBC Studios' shows. Now we (BBC Studios India) pitch to make our own shows for local broadcasters. For example, we produced *Nach Baliye, Khatra Khatra Khatra, India Banega Manch* and many such. We have international productions in France, Germany, South Africa, Los Angeles and India among other countries. In France, for instance, we have produced two series of *Infidèle*, the French version of *Dr Foster*, for TF1. *Out of Love*, the Indian version of Dr Foster, went out on Hotstar last month. The Indian version of *Criminal Justice*, a BBC show made by Applause, also went out on Hotstar. The idea is to tell relevant stories and to serve the traditional media groups so that the full cost of development and production can be reduced. In India, the issue is not budgets but speed. There is a need for noisy, high-impact shows that can get to the screen quickly. The India production business is a big opportunity because it is a multi-genre market. There is no reason why we can't double our India business in the next few years.

What makes for a great format?

Strictly Come Dancing (Jhalak Dikhla Jaa produced by BBC Studios in India) or Sony's *Who Wants To Be A Millionaire (Kaun Banega Crorepati)* are examples of a great format. A great format has universal appeal, so it could be around shared passions like cooking, dancing, music. The good ones are very structured; so you can move bits and pieces here and there but can't move too far from the essence of the original programme. In the past, some producers have made rip-offs of formats like *Strictly Come Dancing* (a BBC show) and we were very upset by this but we realised it wouldn't last, because they were pale imitations. We have a creative exchange in London every year for *Dancing With The Stars (Strictly Come Dancing* in the UK) and other international formats. More than 80 people from different markets, where it is being produced or aired, come together to share stories and it helps the format evolve. We also talk about the 7-8 things that mustn't change. This year, one idea for change came from the Czech Republic where the team incorporated an online street dance competition that ran in parallel with the main series. This attracted a younger audience demographic to the local version.

How does India differ from other markets?

Outside of India, shows such as *The Great British Bake Off* and *Top Gear* do well. In India, scripted is growing very fast and the speed of this market sets it out. In Australia, too, there is a rise in scripted while there is a continued appetite for unscripted. The US has taken a number of scripted shows. So, there are parallel themes in other markets especially in the rise of scripted, but in India it is faster and the ability to create locally for the market is very important. There are no English people in the production team in the BBC Studios office in Mumbai, all locals who know the market well.

How does the production ecosystem vary in the countries you operate in?

The pool of talent in India and the UK is limited. Even if you doubled the number of talented commissionable writers with a track record, there is only a limited number to go around. However, the BBC can provide the training. Also the cost of production is increasing, even as the demand for quality goes up. People expect to see film quality CGI (computer-generated imagery or special effects) on TV.

In a market dominated by the large Hollywood studios, where does BBC Studios stand?

In a good place. BBC Studios is the most-awarded UK producer of content, and produces more hours (around 2,000) than any other UK company as well as a further 500 hours (approximately) around the world. BBC Studios is also the number one distributor outside of the US, reaching 200 territories through the sale of finished programmes or formats. We have a presence in 16 countries, with seven production bases and 18 international offices.

Will oil become a weapon of choice for Iran?

JULIAN LEE
5 January

Events in 2019 served as a reminder for just how vulnerable the world's oil supply is, and Iran was usually blamed as the culprit for attacks on ships, pipelines and processing plants in West Asia. But the knock-on effects blew over quickly in a world that appeared oblivious to the geopolitics of oil. Now in the wake of the US killing of Qassem Soleimani, the Iranian general who led the Revolutionary Guards' Quds force, the big question hanging over the market is whether Iran will target oil in its response.

NEWS ANALYSIS

There is no particular reason to expect that Iran's retaliation will target oil, except that even the best guarded of the industry's installations have been shown to be vulnerable and the steady stream of oil tankers passing through the Strait of Hormuz presents multiple opportunities to disrupt flows. About 34 million barrels of crude from Saudi Arabia, Iraq and Kuwait was passing through the channel on their way out of the Persian Gulf and toward US ports last month, according to Bloomberg tanker tracking.

Attacks in September on Saudi Arabia's oil processing facilities at Abqaiq and Khurais briefly took 5.7 million barrels a day of the country's oil production capacity offline, the single biggest disruption in supply on record. It served as a wake-up call that the world's oil security blanket — the spare production capacity that is almost uniquely held by the kingdom — was not nearly as secure as once was thought.

While responsibility was claimed by (Iran-backed) Houthi forces in Yemen, who have been on the receiving end of a Saudi-led aerial bombing campaign since 2015, the US and the Saudis blamed Iran directly. UN investigators dispatched to Saudi Arabia were unable to verify US and Saudi claims that Iran was behind the strikes. Iran denied it was involved.

Those attacks briefly sent oil prices soaring, but the rally was short-lived. A combination of a gloomy outlook for oil demand and quick action by the Saudis to calm markets by tapping stockpiles and spare capacity meant that prices were back below pre-attack levels within days.

Things look a bit different now, though. Oil prices have been on an upward trajectory since early October and the killing of Soleimani boosted them to their highest level since April.

Although forecasts for oil-demand growth in the first half of 2020 haven't yet improved, the promise that a "first-phase" trade deal between the U.S. and China will be signed later this month has injected a little more optimism. Meanwhile, the supply side of the balance may tighten, although I remain skeptical about how much real supply will be removed from the market by the new agreement between the Organization of the Petroleum Exporting Countries and its big oil-producing counterparts (known collectively as OPEC+).

Saudi Arabia's pledge to cut an additional 400,000 barrels a day beyond its agreed target would only take its production back to the average level it has pumped since March. Russian production of crude and condensate, a form of light oil extracted from gas fields, hit a post-Soviet high last year on an annual average basis. The exclusion of condensates from its new quota, which brings Russia into line with the OPEC countries, will make it easier to comply with its new output target — a quarter of the reduction in crude output by the end of December was offset by higher condensate production, according to the country's energy ministry.

The supply-side tightness is more likely to come from the slowdown in U.S. output growth and the potential for further losses of supply from OPEC's own Shaky Six. Higher oil prices may have allowed U.S. shale producers to hedge more of their 2020 production, but that won't necessarily translate into increased drilling, or supply, as investors continue to demand tighter fiscal discipline.

Just-released official U.S. production data for October show output up by a healthy 170,000 barrels a day over September, but still 90,000 barrels a day short of where the Energy Information Administration had forecast it would be. Continued under-performance in the shale patch could tighten supply further in the coming months.

That tightening market means that any eventual attack on regional oil facilities might have a more prolonged impact than it did in September. That's good reason for oil markets to be jittery. BLOOMBERG

Elon Musk's moment of truth arrives

BLOOMBERG
Shanghai, 5 January

Elon Musk's decision to assemble Tesla cars in China required years of planning and billions of dollars in spending. Now comes the challenging part. The electric Model 3 sedans rolling off the assembly line at Tesla's Shanghai plant — its first outside the US — face a market where total vehicle sales are expected to fall for a third straight year. After capturing about 5 per cent of China's car sales, electric vehicles have been losing steam as the economy cooled and the government scaled back subsidies for buyers.

That could spell trouble for a launch that investors are watching closely for evidence that Tesla has what it takes to go global. A slow start for sales of its made-in-China cars would put more pressure on the unprofitable manufacturer's finances, giving Musk little room for missteps to support a stock that's hovering at an all-time high. "Tesla is rushing to start deliveries before other global brands bring in more EVs," said Zhang Yan, an analyst at research firm LMC Automotive in Shanghai. "It's an attempt to conquer the market."

EV sales plunged 42 per cent in China in November as the government handouts that lowered sticker prices receded significantly. That means Musk and his team are looking at a market that's very different from mid-2018, when the decision to build a Shanghai plant was announced. Back then, the industry's sales were growing at a roughly 100 per cent clip.

The tough market could mean that Tesla sells just 21,000 China-built Model 3s this year, according to LMC Automotive. That would qualify as a sluggish start given the Shanghai facility already builds more than 1,000 cars a week and plans to double production during the next year. The forecast takes into account Tesla's history of production delays, potential supply-chain constraints and the complexity of manufacturing high-quality cars at scale, LMC Automotive said.

Yet others are more optimistic. Yale Zhang, managing director of Shanghai-based consultancy AutoForesight, said Tesla could sell about 100,000 Model 3 cars. Wang Lei, a Shanghai-based analyst for China International Capital Corp., said Tesla could sell a combined 120,000 Model 3 and Model Y vehicles.

Given Tesla's volatile share price, investors will be hyperfocused on the Shanghai ramp-up. Success in boosting China sales could propel Tesla to as high as $500 a share, a Morgan Stanley analyst, Adam Jonas, said. Tesla climbed to a record $443.01 on Friday after rising 26 per cent last year.

So far, the China project has gone smoothly. Musk's visits helped the company get preferential bank loans and swift approvals for construction and manufacturing. And while the subsidies are being phased out, the locally built Model 3 still qualified for a sizable handout of as much as about $3,550 per car.

But success requires winning over the consumer. A majority of China's EV purchases — about 70 per cent, according to Sanford C Bernstein — so far have been to the government and "policy-direct" customers, including taxis, mobility services and other government-affiliated fleet operators. Such buyers typically forgo premium cars like Teslas in favor of cheaper, local models.

"It's a distorted need," said Robin Zhu, an analyst with Bernstein. "And the market won't change much in the next two-to-three years."

Cars that cost less than 100,000 yuan ($14,300) make up more than half of EV sales in China, according to Bernstein. Tesla last week cut the starting price of the Model 3 to 323,800 yuan from 355,800 yuan — a 9 per cent reduction. Subsidies lower the starting price to 299,050 yuan. "To paraphrase Elon Musk, demand may be insanely high, but people literally cannot afford to buy them," Zhu said.

To be sure, there is a segment of China's massive population that can afford Teslas. But the company won't be the sole global EV brand targeting those buyers.

Volkswagen's Audi plans to start selling nine new-energy-vehicle models in China during the next two years, with more than half of them being pure battery-electric. The first electric model, the E-Tron, debuted in November at a starting price of about 693,000 yuan.

Daimler's Mercedes-Benz EQC electric model became available in October and starts at 580,000 yuan. BMW plans to start building the iX3 crossover in China next year and is working with a Chinese partner to electrify its Mini model. There also is a slew of local upstarts targeting the premium segment. Electric SUVs from NIO Inc. and Guangzhou Xiaopeng Motors Technology, or Xpeng Motors, are priced aggressively and already have found fans.

"It will be challenging for carmakers to differentiate themselves and be competitive," said Stephen Dyer, managing director at Alixpartners, a global consulting firm.

Tesla, a pioneer in electric cars, probably will have an edge for the next one-to-two years before competition starts catching up, said David Whiston, an analyst at Morningstar in Chicago. Tesla's vehicles have an industry-leading driving range to go along with the brand appeal.

Japan orders tighter immigration after Ghosn flees country

REUTERS
Tokyo, 5 January

Japan said on Sunday it would tighten immigration measures after former Nissan boss Carlos Ghosn fled the country while on bail, its first official response to an astonishing escape that has transformed the executive into an international fugitive.

Authorities have remained quiet after Ghosn revealed on Tuesday that he had fled to Lebanon to escape a "rigged" justice system in Japan. All government offices and most businesses in Japan have been shut for the new year holidays.

The former Nissan Motor and Renault chairman was arrested in Tokyo in November 2018 and faced multiple charges of financial wrongdoing, which he denies.

Justice Minister Masako Mori said Ghosn's "apparently illegal" departure was regrettable and added there was no

record of him leaving the country. She promised a thorough investigation and said authorities had issued an international notice for his arrest.

"I have instructed the Immigration Services Agency to coordinate with related agencies to further tighten departure procedures," she said, adding that Ghosn's skipping bail was not justified, and that the court had revoked his bail.

Separately, prosecutors issued a statement defending Japan's justice system, saying his departure ignored the legal system and amounted to a crime.

"It is extremely sad that Sonia Gandhi and Priyanka Gandhi Vadra, despite being women, are not able to understand the sorrow of the mothers (whose children died at hospital in Kota)"

YOGI ADITYANATH, Uttar Pradesh chief minister

"Yogi Adityanath is worried about Kota deaths. When will he be worried about the Gorakhpur deaths? I will soon release a list of the dead children"

AKHILESH YADAV, Samajwadi Party president

"The death of 100 children in Rajasthan's Kota district is very sad and painful. Chief Minister Ashok Gehlot and his government are still insensitive, disinterested, and irresponsible"

MAYAWATI, BSP chief

It's a catch-22

Future uncertain for the Asom Gana Parishad after protests against the amended citizenship Act rupture Assam

RADHIKA RAMASESHAN

"I am the future but I won't work with the present leadership," proclaimed Prafulla Kumar Mahanta, who no longer holds a formal position in the Asom Gana Parishad (AGP), the party he founded in 1985 with his erstwhile compeers from the All Assam Students' Union (AASU). The AGP's website alludes to Mahanta as a "leader". Now 67-year-old, Mahanta was India's youngest elected chief minister at 33, when he moved from the students' dorm of Gauhati University to a bungalow at Dispur. Several defections, splits, and mergers later, the AGP stands on the verge of another division after the protests over the Citizenship Amendment Act (CAA) ruptured the ethnically sensitive Assam.

The AGP, which aligned with the BJP in the last Assembly polls in 2016, voted for the Bill in the Rajya Sabha, where it has one lone member, Birendra Prasad Baishya (it has no Lok Sabha representatives). Mahanta and his long-time associate, Brindaban Goswami, opposed the vote and alleged that the decision was taken "unilaterally" by the party president, Atul Bora, a minister in the BJP-led Assam coalition government and two other colleagues, Keshab Mahanta and Phani Bhusan Choudhury.

Bora's three-year term as president ends January. The AGP is slated to convene a general house meeting shortly thereafter to elect a new head and that's where the sparks are expected to fly between the factions.

Baishya, a founding-member like Mahanta, was in a dilemma over casting the vote for the CAA even a day before it was tabled and debated in the Upper House. "We thought Baishya is senior and experienced enough to vote according to his conscience. I haven't spoken to him (since the CAA was enacted) and I don't know why he voted for the Bill," Mahanta told *Business Standard*.

Keshab Mahanta and Amguri legislator Prodip Hazarika, who Bora despatched to Delhi to speak with Amit Shah, the home minister, joined the dots. Hazarika said: "As part of the NDA (National Democratic Alliance) at the Centre and Assam, we discussed the matter with Shah at length before the Bill was tabled and sought his assurance on three issues: The whole of Assam will be kept out of the CAA's purview like Arunachal Pradesh, Nagaland, and Mizoram are, Clause 6 of the (1985) Assam Accord will be scrupulously enforced, and the land rights of the entire Assamese people will be legally and constitutionally protected."

Hazarika wanted a statute proscribing the purchase and sale of land owned by the indigenous Assamese and not just those living in the seven tribal districts that were covered by the Constitution's sixth schedule to be enacted. Clause 6 of the accord stated that appropriate constitutional, legislative, and administrative safeguards must exist to protect, preserve, and promote the cultural, social and linguistic identity, and heritage of the Assamese people. Keshab Mahanta said Shah promised that their requirements would be met with "in due course" after which the AGP directed Baishya to support the citizenship amendment Bill.

Goswami's contention was that the CAA already repudiated Shah's "assurances" which the AGP sought "by hindsight". "The Bengali-speaking Hindus will flood Upper and Lower Assam because the Barak Valley they inhabited is saturated. Where is the land? More than 228,000 hectares were lost to flood erosion. Tea garden labourers, who came several generations ago, still have no land, so why should we allow these migrants in? The indigenous Assamese population is just 47 per cent and this will further go down. We will lose our language and identity," said Goswami.

However, Keshab Mahanta stressed the move to back the CAA was "carefully thought out". "It's not about keeping our ministries. The next election is not too far away (in 2021) and we can easily give up our ministries. We felt we have a better say and influence being inside the government than outside," he claimed. In the 126-member legislature, the BJP has 61 of its own members and 12 of another ally, the Bodo People's Front, and does not need the AGP's 14 MLAs.

Coalition dynamics apart, what took the AGP by surprise were the scale, intensity and, persistence of the protests that engulfed Upper and Lower Assam. "They were more intense than what we saw at the height of the AASU movement. This was largely leaderless, digitally coordinated and on the ball," said Samujjal Bhattacharya, the AASU's chief adviser. Afraid of being eased out of the frame, the AASU weighed in, distancing itself from the BJP and the AGP, its progeny. "Our movement will be non-violent and peaceful but it will continue until the CAA is scrapped," Bhattacharya maintained.

Asked to confirm the report that the AASU would launch another political party, Bhattacharya said, "That will depend on what the people say."

As the AGP — which moved the Supreme Court to invalidate the CAA after allowing for its passage — awaits a word from the January 22 hearing, Mahanta said: "We do not want a split. It's important to stay united and show solidarity with the Assamese people against the Centre, the BJP and the CAA."

After voting for the citizenship Bill in the Rajya Sabha, the AGP moved the Supreme Court against it

Asom Gana Parishad has a chequered past

RADHIKA RAMASESHAN

"To capture a wild elephant you have to first ride an elephant," Prafulla Kumar Mahanta *(pictured)* declared from a podium in Jorhat, in 1983. He was then president of the All Assam Students' Union (AASU), the genesis of which was traced to a Lok Sabha by-election in Mangaldoi in 1978, occasioned by the death of then sitting MP, Hiralal Patowary. The AASU demanded that the election should be deferred because it alleged that the electoral rolls, which were being revised, were overrun with the names of "lakhs" of illegal Bangladeshi immigrants. Three Ds — detection, deletion (from the voters' list) and deportation — formed the basis of the AASU's long-drawn agitation.

The movement culminated in the signing of the Assam Accord on August 14, 1985, by AASU leaders, the Centre and the state government. Two months later, Mahanta and Brighu Phukan, AASU general secretary, launched the AGP, adopting the elephant as its symbol. It swept the 1985 Assembly polls, but the tenure was cut short because the United Liberation Front of Asom or ULFA created major law and order problems, after which Assam was brought under President's rule. The AGP returned to power in 1996 but it never touched the heights it soared to a decade earlier. At times, it aligned with the Left but was subsequently drawn to the BJP which rode on the AGP's back for a while before getting its own majority in 2016.

The BJP is organising *Abhinandan Yatras* across West Bengal, touting benefits from the Citizenship Amendment Act

BJP leaders are afraid of CAA, too

AVISHEK RAKSHIT

Amid the ongoing nationwide protests against the Citizenship Amendment Act (CAA), the Bharatiya Janata Party (BJP) is not only the target of various sections of civil society and Opposition parties but also its own mid-tier leadership in West Bengal.

The state witnessed violent protests against the amended citizenship Act; Mamata Banerjee, chief minister and Trinamool Congress (TMC) chief, has vowed to oppose the CAA and the National Register of Citizens (NRC) tooth and nail. She is also coordinating with other parties across India for a spirited opposition to the CAA.

STATE SCAN

WEST BENGAL

Some BJP leaders are questioning the CAA's merit and its impact on the party's prospects in the state

On the other hand, BJP leaders in the state are either lying low or criticising the CAA move in hushed tones. Chandra Kumar Bose, vice-president of the BJP's state unit, is most vocal with his opposition to the Act in the current form. "The country is above petty party politics. How can I keep quiet when I see that something is happening which is wrong in its current form?"

According to Bose, a descendant of Subhas Chandra Bose (Netaji), the CAA in its current form is against the secular principles of the nation. "I am not opposed to the concept of the CAA. But in its current form, it is discriminatory against the Muslims. I think this community, which is also a crucial part of India's history and heritage, should be included. Netaji would never have allowed this Act to be passed," he said.

Some other party leaders aren't as vocal as Bose but clandestinely have been questioning the merit of the CAA and its impact on the BJP's prospects in the state. In fact, at a time when the BJP started making deep inroads in the state, the fear of the CAA and the NRC appears to be ruining its prospects.

In the General Election last year, the BJP posted its best-ever tally in the state, bagging 18 of the 42 seats and catching up fast with the TMC with a 40.25 per cent vote share. The TMC won 22 seats with a 43.28 per cent vote share.

However, in the Assembly by-elections, the BJP suffered a heavy defeat. It not only lost its stronghold, Kharagpur Sadar, but also couldn't match the TMC in any of the two other seats. Some of the losing candidates, as well as the party's mid-tier leadership, blamed the hysteria around the CAA and the NRC for the poor showing.

Bose is of the view that if the Assembly polls are to be held in West Bengal now, the BJP faces a big defeat.

Political observer Sabyasachi Basu Roy Chaudhury said: "The BJP's leadership is not univocal about the CAA, which is harming its prospects."

Mid-tier party leaders are wary of party losing all Muslim votes in the wake of the opposition to the CAA and fear that without the support of this community, which is 30 per cent of the electorate, it is impossible for it to come to power in the state. Political analyst Biswanath Chakraborty said: "Hindus in West Bengal are, too, worried after 1.2 million Hindus in Assam were kept out the NRC."

Besides, dissenting party leaders are of the view that the CAA cannot be implemented unless the state government cooperates with the Centre, no matter whatever Act is passed. "There are many Acts passed in Parliament, but are all successfully implemented? In a federal structure, the cooperation of the state government is essential for any Act to actually work," said a dissenting BJP leader from the state.

Despite fissures within the party, the BJP has decided to opt for a counter-opposition strategy and is reaching out to the masses upholding the benefits of the CAA.

Christened 'Abhinandan Yatra' or thanksgiving march, in a show of strength, the party is organising such rallies across the state. Its West Bengal president, Dilip Ghosh, on the other hand, has been attacking Banerjee, her administration and the TMC over their alleged involvement in violence and chaos, and for toeing "an extremist line", which is against the interests of India.

According to the BJP, Indian citizens need not worry about the CAA as the list of documents to prove one's nationality would include "common official documents". An acceptable list is yet to be finalised.

STORY IN NUMBERS

BJP HAS MOST DYNASTS IN JHARKHAND HOUSE

Hemant Soren
JMM
Son of former chief minister Shibu Soren

Jai Prakash Patel
BJP
Son of JMM founding member Teklal Mahto

Amba Prasad
Congress
Daughter of former state minister Yogendra Sao

HOW THEY FARED IN ASSEMBLY POLLS

Political party	Constituencies contested	Constituencies won	Dynasty candidates	Dynasty legislators
Bharatiya Janata Party	79	25	11	7
Jharkhand Mukti Morcha	43	30	9	6
Congress	31	16	3	2

At least 15 newly elected legislators in the 81-member Jharkhand Assembly are dynasts. Of these, seven are from the Bharatiya Janata Party (BJP), six from the Jharkhand Mukti Morcha (JMM), and two from the Congress (INC), analysis of the electoral data shows.

The results of the elections to the Jharkhand Assembly were declared on December 23, and the Jharkhand Mukti Morcha-Congress-Rashtriya Janata Dal alliance won 47 of the 81 seats. The BJP, which was voted out of power, won 25 seats of the 79 seats where it fielded a candidate.

A 'dynast' for the purpose of this article refers to any politician whose father or spouse was/is in electoral politics. The dataset does not capture extended family relationships. The figures, therefore, are possibly an underestimate.

Overall, at least 28 of the candidates fielded by prominent political parties belong to political families. Of these, 15 were elected.

At least 11 of the 79 candidates fielded by the BJP were from a political family, shows the analysis with inputs from Ashoka University and research by the National Alliance of People's Movements, Jharkhand. Of them, seven were elected.

"Vote for the 'Lotus' to ensure that the dynasts do not come back to power and the prosperity of the region increases manifold," Smriti Irani, Union Minister for Women and Child Development, had said during an election rally on December 8, 2019.

Source: Data and analysis, IndiaSpend

CONSIDER THE EVIDENCE

To the top, quietly

T E NARASIMHAN & GIREESH BABU

The AIADMK became more stable and Edappadi K Palaniswami, chief minister of Tamil Nadu, stronger last year despite threats to his government. He managed not only to retain power but also led Tamil Nadu to top slot in good governance rankings.

The Good Governance Index (GGI), released by the Department of Administrative Reforms and Public Grievances and the Centre for Good Governance, has now put the state on top among 18 big states. The ranking was based on the scores achieved in nine sectors — agriculture and allied sectors, environment, public health, public infra and utilities, commerce and industries, human resource development, judicial and public security, social welfare and development, and economic governance.

Tamil Nadu got the highest score in public infrastructure and utilities, including access to potable water, open defecation free (ODF) coverage, connectivity to rural habitations, access to clean cooking fuel, power supply and availability round the clock, and per capita growth. The state also topped in judiciary and public security, including the conviction rate, availability of police persons and the proportion of women police persons, and disposal of court cases and cases by consumer courts.

The state's ranking in agriculture and allied activities and in commerce and industrial ranking has raised a few eyebrows.

DMK leader M K Stalin questioned the genuineness of the ranking and his party alleged that since the AIADMK supported the Centre in Parliament on the Citizenship Amendment Bill, the state was rewarded with high scores.

The chief minister responded by saying that the allegations were just for criticising the government. The ranking had been based on the contributions of all the states and everyone in the state should be proud of its achievement.

Thanking his ministers, Chief Secretary K Shanmugam, and the heads of various departments, Palaniswami reminded them of constant efforts to stay the course and improve in certain sectors where the state is lagging others.

Shanmugam told *Business Standard* the state had been keeping a balance between welfare for the poor and investment in agriculture, infrastructure, health care, education, and others.

The chief minister and the chief secretary review the work of all the departments every three-four months.

"Though the state's financial situation is not comfortable, which will become positive once the economy turns around, it did not cut its spend on public expenditure, infrastructure, education, and social welfare," he said.

Shanmugam said more than the numbers and ranking, the effects on the ground should be looked at. He agreed that quality was an issue in education and it needed to be addressed, while the other focus would be on developing skills and reducing the number of dropouts from colleges.

As far as agriculture is concerned, which is the livelihood of 50 per cent of the state's population, the state witnessed severe drought. Hence the emphasis on rejuvenating waterbodies in the state under the chief minister's "kudimaramathu" scheme. The state is de-silting and cleaning 1,829 big lakes and tanks with an outlay of ₹500 crore. Check dams are being built at an outlay of ₹1,000 crore.

On the welfare side, Tamil Nadu is the only state that is giving pulses and oil through the Universal Public Distribution Scheme and it has various schemes including marriage assistance, schemes during pregnancy, and education for women. Recently nine more medical colleges were sanctioned and state officials worked round the clock to identify lands for these new colleges in a week.

Industry, Shanmugam said, would return to normalcy once foreign direct investment picked up.

S Chandramohan, chairman of the Tamil Nadu State Council of the Confederation of Indian Industry, said the state was already a significant contributor to the country's GDP.

Tamil Nadu under E K Palaniswami's *(right)* leadership tops the Good Governance Index

THE GCI REPORT CARD

Sector	Score	Ranking
Public infrastructure	0.74	1
Judicial & public security	0.56	1
Public health	0.78	2
Environment	0.58	3
Economic governance	0.58	5
Human resource development	0.64	5
Social welfare & development	0.49	7
Agriculture & allied	0.45	9
Commerce & industries	0.86	14
Total	5.68	1

BRIEF CASE ● M J ANTONY

A weekly selection of key court orders

Blacklisting must not be endless

Normally, blacklisting of a company has a finite life span, for a few years. But an "indefinite directive" is worse than blacklisting and illegal, the Supreme Court stated in its judgment in Daffodills Pharmaceuticals vs State of UP. In this case, the pharma company and 56 others bid for a contract to supply medicines to hospitals in the state in 2015. It was disqualified because one of its directors was under CBI lens for maintaining fictitious accounts for personal benefits. However, the company argued that he had resigned in 2012 and was no longer connected with it. It also argued before the Allahabad High Court that it was not given an opportunity to present its case. The high court dismissed the petition, upholding the ban. But the Supreme Court stated that the high court erred as the indefinite ban could not be legally sustained and the company was not heard before passing the drastic order.

Neutrality of arbitrators

The neutrality of arbitrators has again become a point of discord, even after the Arbitration and Conciliation Act was amended in 2015 to remove doubts. Certain executives of the disputing parties were barred from acting as arbitrators. They cannot even nominate arbitrators in the dispute. However, the Ministry of Railways modified the General Conditions of Contract (GCC) to waive the statutory conditions in certain cases. This was opposed by one of the railway contractors in the case Central Organisation vs ECI-SPIC-SMO-MCML (JV). The Allahabad High Court appointed an independent arbitrator, rejecting the railways' nomination of its officers. The Railways appealed to the Supreme Court. It set aside the high court judgment and asked the contractor to choose arbitrators from the panel of names provided by the Railways. According to the Supreme Court, the agreement expressly referred to the modified GCC, which provided for Railway officers to act as arbitrators. Therefore, the agreement should be followed, the judgment said.

SC disapproves 'muddled' awards

The Supreme Court has emphasised the need for a "reasoned award rather than one which is muddled in form which inevitably leads to wastage of time and resources of the parties". These observations were made in its judgment in Dyna Technologies vs Crompton Greaves, in which the latter was asked to pay the opposite party ₹30 lakh to end the dispute which had lasted a quarter-century. Crompton Greaves terminated the contract with Dyna for building an aquaculture unit, leading to arbitration. The award was partly upheld by the Madras High Court, which noted that the award did not contain reasons. In the appeal, the Supreme Court stated that though the arbitrator is not bound to give a detailed judgment, the award must be "proper, intelligible and adequate." Unless clarity, the award cannot be enforced, the court pointed out.

Insured must know reason for repudiation

If a general insurance company repudiates a claim, it should cite the reason for denial in the letter to the insured person. The insurer cannot raise a new ground for repudiation before the National Consumer Commission when a complaint is filed. The Supreme Court stated so in its judgment in Saurashtra Chemicals vs National Insurance. The company was declared sick for a while and stocks were lying in the godown. When it was reopened, it was found that there was a fire which destroyed some stocks. The company sought compensation according to the fire policy. It was repudiated on the ground that the fire was because of fermentation or natural heating which is not covered under the policy. However, delay in filing the claim was not mentioned. When the company sued the insurer, it raised a new argument that the claim was filed beyond the stipulated period of 15 days. The commission accepted the contention and dismissed the claim. Allowing the appeal, the Supreme Court asserted that "an insurance company cannot travel beyond the grounds mentioned in the letter of repudiation. If the insurer has not taken delay in intimation as a specific ground in the letter of repudiation, it cannot do so at the stage of hearing of the consumer complaint before the National Commission".

Role of official liquidator vis-à-vis RP

There was a conflict in the roles of the official liquidator appointed by the company judge of the Calcutta High Court and the Resolution Professional (RP) appointed by the National Company Law Tribunal (NCLT) in the case Avani Projects vs Official Liquidator. Some creditors moved the company judge invoking the provisions of the Companies Act (Section 433-e) and he appointed a liquidator. Another group of creditors later invoked the Insolvency and Bankruptcy Code before the NCLT. It appointed an RP. The orders of the judge and the NCLT created a legal Catch-22 which the high court resolved in a judicious manner. It directed that the court can hear the winding-up petition, but not before the NCLT decides on the resolution plan. If only the resolution plan is rejected, the winding-up petition can be taken up by the company judge. The liquidator shall render all assistance to the RP. The high court also observed that the NCLT "ought to have been more cautious while passing orders directing the liquidator to hand over the books of the company or directing his personal presence."

Court's call for tweaking GST rules

The Gujarat High Court has laid down 16 guidelines in the matter of Integrated GST applicable to importers and distributors and also asked the government to amend two provisions in the GST Act. The complaint of the dealers was that the authorities were arbitrarily exercising their power under Sections 129 and 130 of the GST Act. The former deals with seizure/detention of goods. The latter grants power to the authorities to confiscate goods, suspected to be evading the levy. In this judgment, Synergy Fertichem vs State, the grievance of the importer of ceramic paints from Spain was that the shipment was seized during transport and they were perishable. In the long judgment, the court granted interim relief to the dealers and observed that "we expect the GST Authorities to ensure that no undue harassment is caused to the assessees. The GST Authorities should try to understand the various provisions of the Act as well as the Rules in the best possible manner for the purpose of smooth execution and implementation of the law". It asked the government to amend the two provisions to reconcile them and clarify the position. The court further suggested the formation of dispute resolution committees in all the states and union territories for speedy settlement of such disputes.

Is Tata Sons a 'quasi-partnership'?

Ratan Tata does not think so; Cyrus Mistry does. The Supreme Court will have to sort out the vexed issue

IMAGING: AJAY MOHANTY

SUDIPTO DEY

THE TROUBLE WITH QUASI-PARTNERSHIPS

- **There is no definition** of a quasi-partnership under Companies Act, 2013
- **The concept is largely** created through judicial precedents
- **A higher standard of behaviour** is expected from shareholders of a quasi-partnership company
- **It is important to establish** quasi-partnership character of a company for any relief to minority shareholders
- **Principles of quasi-partnership** can only be invoked on a case-to-case basis

The crux of the three-year-old Cyrus Mistry boardroom ouster drama seems to now rest on the answer to the question whether Tata Sons, the conglomerate's holding company, is a "quasi-partnership" between the Tata and Mistry families.

The National Company Law Appellate Tribunal (NCLAT) alluded to the quasi-partnership character of Tata Sons in its recent order that called for reinstating Mistry, the ousted chairman and director, to Tata Sons board and the boards of other group companies. However, the Tata group, including Tata Sons Chairman Emeritus Rata Tata, in their pleas in the Supreme Court last week have emphatically challenged the very basis of the NCLAT order. Ratan Tata in his plea claims that the tie-up between the two groups was not a partnership and that the Shapoorji Pallonji Group was a financial investor in Tata Sons.

Legal experts say the answer to whether Tata Sons is a quasi-partnership could be a vexed one. The reason being there is no definition of a quasi-partnership under the Companies Act, 2013, and the concept is largely created through judicial precedents.

"It's quite crucial to establish the character of partnership in this case. Only then, Mistry gets to contend that his minority rights were suppressed," says Sandeep Jhunjhunwala, director, Nangia Andersen. A minority shareholder in a quasi-partnership who has been involved in the running of the business can claim protection from being ousted or excluded, without any good reason, from the ongoing management of the business, he adds.

Experts say the term quasi-partnership refers to the situations wherein in any company there are two groups having defined roles and responsibilities either through mutual understanding since the inception of the company or through some written agreements. "The concept is generally referred to in companies where there are equal shareholdings and a situation of deadlock arises if any group disagrees," explains Daizy Chawla, managing partner in law firm S&A.

Experts point out that in the present case, the minority shareholder has not alleged breach of the Articles of Association of Tata Sons. Nor has it stressed on breach of the Shareholders Agreement. "Instead, the minority shareholder has argued that the company (Tata Sons) is in the nature of a quasi -partnership between two groups -- the Tata group and the Mistry group," says Rajat Sethi, partner at law firm S&R Associates.

Experts say there is a difference in the treatment of minority shareholders in quasi-partnership firm. "Shareholders of a company that has the character of a quasi-partnership can be held to a higher standard of behaviour. Essentially, such an argument is based on a legitimate expectation that arises from an implied understanding (between partners)," says Sethi.

While it is important to establish the true character of such a company for any relief to minority shareholders, such principles cannot be liberally invoked. "The court cannot easily accept such a plea in every case," adds Sethi.

According to Umakanth Varottil, an associate professor of law at the National University of Singapore, the NCLAT judgment assumes that Tata Sons is a quasi-partnership through a simple statement, without analysing the issue in detail. "It does not establish on what basis it had reached that conclusion," says Varottil.

Experts say the Tata-Mistry case highlights the need to reconcile the treatment of minority shareholders, based on facts rather than perception. "It cannot be a battle of perception, but a matter of legal right," says Jhunjhunwala.

The promoter-driven or controlled companies must recognise the need for managing their businesses on legally established procedures and practices, and not on a "majority-oriented" approach, he adds.

Varottil feels the need for more clarity on how minority shareholder rights should be protected through a mix of legislative and judicial orders. Chawla is of the view that some defined criteria are required to protect the rights of minority shareholders when there is no written agreement or understanding.

The Supreme Court now has a chance to sort out the vexed issue of treatment of minority shareholder interest in a quasi-partnership situation.

What is on corporate India's checklist for 2020

GEETIKA SRIVASTAVA & SUDIPTO DEY

The latest amendments to the Companies Act that were made in 2019, the new GST rules on returns and e-invoicing, the eligibility test and registration of independent directors, and the separation of roles of chairman and managing director are among the key compliance challenges before corporate India in 2020. There is an ever-expanding list of compliance requirement, along with the existing ones, which is expected to keep businesses on their toes throughout the year.

Experts say the recent instances of fraud and financial irregularities have played their part in forcing the government and regulators to become more rule-based to ensure accountability and transparency in operations of businesses, leading to greater compliance burden. "However, the cost of non-compliance is always more than the cost of compliance," notes Dhaval Gusani, a company secretary.

The changes in the indirect tax regime continue to remain the primary concern for business.

"Ideally, on a conceptual level, GST rates should have been stable, the GST policy should have a clear roadmap, and technology should have been flexible. However, GST rates are evolving, the GST policy is going through changes, and technology is changing," points out Pritam Mahure, a chartered accountant. The government is in the process of plugging revenue leakages. From January, it intends to further restrict the additional credit available.

COMPLIANCE WATCH

What's new

- **The Companies (Amendment) Act, 2019,** has re-introduced a provision wherein the promoters are required to deposit the capital subscribed within 180 days from the company incorporation date, and notify the same to the RoC
- **Firms are now required to report** 'exempted deposits' accepted as of March 31, 2020, from certain parties by June 30
- **Every independent director in a company** has to get registered with the government's databank of independent directors on or before March 1
- **A new GST filing system** will be implemented from April 1 for all GST registered businesses. It would require uploading of all invoices on a real-time basis
- **From April 1,** customers will not get the GST input tax credit if a business fails to upload an invoice
- **From January 1,** the government further restricted the additional credit available under the GST regime to 10 per cent, instead of 20 per cent earlier
- **The deadline to appoint** separate persons as chairman and independent director is only about 90 days away

Some deadlines to meet

- **Those having a DIN** as of March 31 shall complete the process of KYC for his /her DIN on or before September 30
- **All firms which get supplies of goods** from MSMEs and whose payments are pending for over 45 days have to file half-yearly return with the ROC within 30 days from the closure of each half year
- **Companies with outstanding loan** have to file yearly return of deposits with the ROC within 60 days from the closure of the financial year
- **External commercial borrowings** to be reported to the RBI on a monthly basis
- **The corporate governance report** has to be filed within 15 days of the end of a quarter

Experts say genuine GST payers will certainly feel the pinch, as this amendment is designed to impact them, although the fault is of their vendors who are not filing GST returns in time.

From April 1, the GST compliance system will undergo major changes with the introduction of the new return system and e-invoicing formalities. "In 2020, GST payers hope a detailed roadmap for two-three years regarding the GST policy is made available," says Mahure.

Some of key compliances under the Companies, Act, 2013, which come into effect in 2020 are:

■ A provision relating to the 'commencement of business by companies', wherein the promoters are required to deposit the capital subscribed within 180 days from the company incorporation date and the same shall be intimated to the Registrar of Companies (RoC). It is applicable to all firms, says Gaurav Pingle, a company secretary.

■ Firms are now required to report 'exempted deposits' accepted as of March 31 from certain parties. Such exempted deposits include loans from banks/financial institutions, loans from directors and their relatives, inter-corporate loans, and share application money pending allotment. The deadline for filing the return with the RoC is June 30.

■ Every individual having a Director Identification Number (DIN) as of March 31 shall complete the process of KYC for his/her DIN on or before September 30. "At the time of completing the process, the person shall have to confirm his mobile number, e-mail address, residential proof, identity proof, and Income Tax PAN," says Pingle.

■ Every independent director in a company on or before March 1 shall get registered with the government's databank of independent directors. Such registration can be for a period of 1 year or 5 years or for a life-time. An aspiring independent director shall enrol himself with the government's databank before being appointed.

Way out of the impasse of 'law's delay'

EXPERT EYE

SUKUMAR MUKHOPADHYAY

Law's delay is a legendary expression made well known by Hamlet. Efforts are being made in all ages to remedy this situation, without much success. Recently in India, this problem has been highlighted when the chief justice of India made reference to this judicial delay after a stark example of instant justice in a case where four convicts were shot down in an apparent encounter. I am writing not about any particular instance but about how it should be everybody`s concern to find a way out of the impasse created by a very long pendency and shortage of judges. Economic analysts have all along been emphasising on the need for judicial speed, not just for justice but to ensure enforcement of contracts, without which a market system cannot flourish. Figures quoted in newspapers estimated a staggering number of vacancies at all stages. On average the vacancy ratio is about 25 per cent to 33 per cent. Figures are changing and not accurate but the magnitude of the problem can be understood from here.

Filling up the vacancies will certainly solve the problem but not more than the proportionate amount. What is needed is to reduce the intake and increase the disposal. That is where I am giving my suggestions here.

Regarding reducing the intake of cases, these are my suggestions.

Admitting too many cases is the main problem. Once a party has won in the lower court and/or in the high court, the appeal should not be admitted easily. Admitting writ petitions and giving interim injunctions rather easily in so many cases is one aspect which has to be considered with due attention. The principle of alternative remedy should get due consideration.

Frivolous appeals from the government side, particularly in fiscal cases, have become quite common. As much as 80 per cent to 90 per cent of fiscal cases are rejected at the high court stage and in the Supreme Court. Government lawyers recommend cases for filing appeal routinely as they get the fees. So the restraint has to be applied by the Central Board of Direct and Indirect Taxes and the office of the attorney general. He has to find some time to look into the lost cases. He has to direct the boards not to commit such a mistake again.

> **The massive backlog in courts can be reduced not by just increasing the number of judges, but at the same time also reducing the intake and increasing disposal of cases**

On the disposal side, the following suggestions are germane.

Adjournments are the foremost reason for the very slow disposal of cases. I have seen cases where adjournments are so many that over a period of nearly 25 years, the charge sheet is not issued. In one such case, I was cross-examined seven times. To the seventh judge, who was a woman, I said, taking her permission, "Your Ladyship, Heraclitus had said that one cannot step into the same river twice. In my case, I could not see the same judge twice. I appeared seven times in this case and you are the seventh judge." She was good enough to take my remark smilingly. Later, I was cross-examined twice after the charge sheet was filed. I can give many instances where the cases are adjourned for the asking and they are not decided for too long.

For deciding old cases (which are more than five years old), separate judges should be earmarked so that greater attention can be paid to such files which are usually very bulky and have got dozens of statements and documents in them.

Fast-track courts must be created for rape and child abuse cases as there is immense pendency and it is socially important to instil confidence among women and children. There should be courts on specific subjects, such as fiscal courts and administrative courts, so that the judges can remember the judgments by dealing with them every day. Lastly, let there be the abolition of laws which are basically litigation prone. The worst is the Law of Unjust Enrichment.

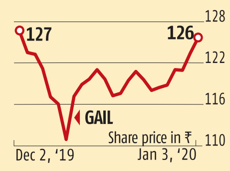
The conclusion is that the massive backlog in courts can be reduced not by just increasing the number of judges but at the same time also reducing the intake and increasing disposal of cases.

The writer is member, Central Board of Excise & Customs (retired)
Email: smukher2000@yahoo.com

BSE 200: TOP 5 GAINERS OF LAST WEEK

BSE price in ₹	Dec 27, '19	Jan 3, '20	% chg
PNB Housing Finance	428.70	486.50	13.48
Adani Gas	155.65	174.30	11.98
Quess Corp	469.75	524.60	11.68
Motilal Oswal Financial Services	755.30	841.00	11.35
Gujarat Gas	225.65	250.55	11.03

QUICK TAKE: GAINS AHEAD FOR GAIL



The GAIL stock has gained 13 per cent over the last three weeks on expectations that it will be the key beneficiary of increasing domestic gas and LNG production in the country. Stricter norms on industrial pollution, which should aid its transmission segment, and attractive valuations are the other positives

"THE ANNOUNCEMENT OF ADDITIONAL LIQUIDITY BY CHINESE AUTHORITIES IS A CLEAR BOOST TO RISK ASSETS IN EMERGING MARKETS. THE BIGGER BOOST WILL BE PEOPLE DECIDING THAT IT IS TIME TO TILT MORE ACTIVELY TO EMs"

MORGAN HARTING
Portfolio manager, Alliance Bernstein

Positive triggers for auto component exporters

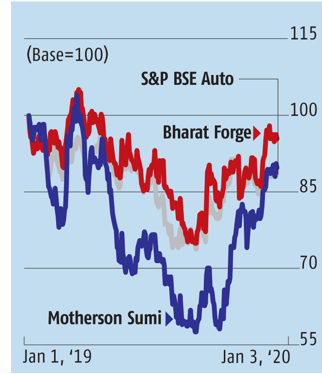
Motherson Sumi, Balkrishna Industries and Bharat Forge, which have big exposure to global auto majors, will be beneficiaries of US-China trade deal

RAM PRASAD SAHU
Mumbai, 5 January

STRONG EARNINGS AHEAD

	Overseas revenue (%)*	FY21E EPS growth (%)	P/E (x)#
Balkrishna Industries	82.1	8.8	24.3
Bharat Forge	72.5	15.6	21.9
Motherson Sumi	88.0	27.8	29.0
Varroc Engineering	65.4	60.6	13.4

#Current price to earnings ratio, * As a proportion of overall revenues; Source: Bloomberg, Compiled by *BS* Research Bureau



Stocks of auto component companies, which derive a significant portion of their revenues from overseas markets, have been outperforming domestic peers over the last three weeks. Motherson Sumi, Bharat Forge, and Balkrishna Industries are some of the stocks which have gained up to 14 per cent. Among auto companies, Tata Motors, India's major automobile company with big exposure to global markets, too, saw a sharp rally of about 18 per cent.

One of the key reasons for the rally has been the recent approval of the US-China phase 1 trade deal by American President Donald Trump. This is a relief to companies which are part of the global auto supply chain. An analyst at a domestic brokerage says that China is the world's largest auto market, both by volume and profitability. Any uptick in volumes in that market will boost the margins of the auto companies and their suppliers, he says. While the details will be announced on January 15, analysts expect the trade deal to be the first step towards a sustainable demand improvement. In the Chinese market, inventory levels, which had spiked given weak economic sentiment and transition to the China 6 norms have started to come off, according to the China Automobile Dealers Association. The situation is expected to resolve over the next couple of quarters as the new standard is implemented across China.

Another trigger for the rally is the expectation of an improvement in the European auto market. Analysts at JM Financial say: "With clarity over Brexit, US-China trade and the end of regulatory issues in the European Union (EU), pent-up demand and new model launches in the battery electric vehicle and plug-in hybrid electric vehicle space points to a relatively better market scenario than in CY19. As a result, Motherson Sumi and Tata Motors are best placed to gain from a EU recovery."

After the transition to the new real driving emissions (RDE) procedure, volumes in the EU have recovered. The recovery in the second half of CY19 helped cushion the January-to-November sales decline to 0.3 per cent. Carmakers in the EU had recorded a fall of 3.1 per cent in the first half of CY19. Global carmakers and ancillary units indicate that recovery in the EU is expected to continue in CY20.

Among the auto parts suppliers who stand to gain from the recovery is Motherson Sumi. The stock is up 48 per cent over the last three months on strong September quarter results and improving outlook for global auto demand. Analysts at Goldman Sachs believe Motherson Sumi will post strong earnings growth in FY21 on the back of ramp-up of new plants and execution of fresh orders, normalisation of commodity prices and improvement in profitability of its subsidiary, SMP. However, given the sharp run-up in prices, investors can consider the stock on dips.

The other beneficiary of the improving outlook is Balkrishna Industries, which makes tyres for specialised applications. Led by the US and EU markets, the tyre offtake for the agriculture and off-the-road (OTR) segments in November grew 12 per cent, the fastest in over 14 months. Nishant Vass of ICICI Securities believes that CY20 could mark the resumption of restocking as confidence among distributors could rise with the waning impact of the US-China trade dispute. Despite the recent rally, analysts expect the stock to gain a further 25 per cent.

The outlook for Bharat Forge though is a bit mixed. The near-term worry is its biggest segment — commercial vehicles, which is facing headwinds in both India and the US. In the long run, the company has a target of increasing its share of passenger vehicles from 12 per cent to about 25 per cent over the next five years. The company is also looking at electric vehicle components, light-weighting components, and defence to power its future growth. While the stock has gained 11 per cent since October, investors should await a recovery in the CV market before taking an exposure, or buy on corrections.

STREET SIGNS

Catching up with China

India is closing in on China in at least one segment. The country had previously delivered more tips to the US Securities and Exchange Commission under its whistleblower programme. The gap narrowed in 2019, but largely because of a drop in tips from China, which fell from 40 to 32, shows the 2019 annual report to Congress on the whistleblower programme. Tips from India rose from 26 to 27. This comes even as domestic support for whistleblowing has improved. The Securities and Exchange Board of India has also recently set up a similar mechanism, where it has established the Office of Informant Protection (OIP) for receiving and processing Voluntarily Information Disclosure form from the informant.

SACHIN P MAMPATTA

Market trend remains 'positive'

Even as the markets snapped their two-day winning streak on Friday, analysts say the broader trend remains positive. Technical analysts are holding onto targets of 12,400-12,450 for the Nifty. They expect the headline index to get support at 12,200-levels. Further, analysts say the upside strength of the index still remains intact, and there is possibility of the Nifty attempting its fresh highs during the week. On Friday, the Nifty closed 0.4 per cent lower at 12,226 points as news of US-Iran tensions dampened market sentiments. Analysts caution that it is important the Nifty holds onto its support levels, or there can be possibility of a deeper correction.

JASH KRIPLANI

PSBs' weight in Nifty slips

The share of banking and financial stocks has risen steeply in the last decade, so much so that these stocks now comprise 42 per cent of the Nifty 50 index. Be that as it may, the share of private and public sector banks (PSBs) has swung in opposite directions. The weight of private sector banks rose 8 percentage points in the five years to December 2014 and another 7.9 percentage points in the next five years, taking their total weight to 27.8 per cent at the end of December 2019, a report by Motilal Oswal Financial Services showed. In contrast, the weight of public sector banks remained flat in the first five years and declined 2.2 percentage points in the next five years to 2.6 per cent. The trend could continue, experts say, unless the PSBs ramp up their digital offerings and ready themselves to face the competition from new-age banks.

ASHLEY COUTINHO

'Broader market to catch up as recovery plays out'

Even as the headline indices are expected to deliver modest returns in FY21, fund managers are expecting a pick-up in the broader economy, triggering a recovery in the beaten-down mid-cap segment. **MAHESH PATIL,** co-chief investment officer (equities), Aditya Birla Sun Life Mutual Fund, tells ***Jash Kriplani*** about what makes him bullish on growth. Edited excerpts:

Q&A

MAHESH PATIL
Co-chief investment officer (equities), Aditya Birla Sun Life Mutual Fund

Your views on monetary policy and the impact of Operation Twist?

The monetary policy has been fairly accommodative in 2019 with the Reserve Bank of India (RBI) embarking on a 135-basis point (bps) rate cut, besides keeping liquidity fairly abundant. However, the transmission of policy rates has been a problem. Despite the rate cuts, it has not yet meaningfully translated into banks' lending rates. The RBI is also looking at various options to see how this transmission can happen. Given the rise in headline inflation and emerging risk on oil prices, we do not see a rate cut in the near term. The RBI's Operation Twist has been able to reduce long-term rates with the 10-year G-sec yield declining by approximately 25 bps following the announcement. This should help better transmission of lower rates.

Is cost of funds likely to remain high for lower-rated borrowers?

For a lot of AAA-rated borrowers, spreads could compress in the next two quarters as liquidity has improved. The risk-aversion in market has also eased somewhat. Overall, the liquidity in the system now is over ₹3 trillion, thanks to RBI's foreign exchange operations. So, we should start seeing an uptick in lending as lenders seek better yields.

How will the economic recovery play out?

It will be gradual. From the fiscal standpoint, there is limited room for government spending. The government is likely to allow the fiscal deficit to widen a bit this year and be more accommodative to stimulate growth. We expect the numbers for the December quarter to show early signs of economic growth bottoming out. This is because we expect consumption to slowly start improving from the first quarter of FY21. Though kharif crop output has not been good because of unseasonal rains, rabi yields are likely to be good as water reservoir levels have been fairly reasonable. The spike in food prices will lead to higher rural income. Some of the sectors like auto — which have seen slowdown earlier — should slowly start to look better as the low-base effect starts to play out. Also, improvement in government spending and easing of tightness in the debt market will help drive up growth. With things at the margin improving, we expect the economy to grow at 6 per cent in FY21, from 5 per cent we are expected to report this year.

Do the Indian markets look expensive versus other emerging markets?

What the market is currently factoring in is the fact that earnings have been depressed for corporate India because of the slowdown that we have seen over the last couple of years. A lot of sectors could see a bounce back next financial year as GDP growth recovers. Earnings growth can be much higher than the overall nominal growth in GDP. The consensus earnings growth estimates are thus showing strong growth of around 23 per cent in FY21. If we are able to deal with the current issues and as the benefits of structural reforms play out, our potential growth rate will be much higher than any of the other emerging economies. So structurally, if India's GDP growth rate is going to be higher, and earnings growth is also outpacing on a depressed base, our market when adjusted for growth may not look as expensive as it seems vis-a-vis other emerging markets.

> WE EXPECT THE NUMBERS FOR THE DECEMBER '19 QUARTER TO SHOW EARLY SIGNS OF ECONOMIC GROWTH BOTTOMING OUT. THIS IS BECAUSE WE EXPECT CONSUMPTION TO SLOWLY START IMPROVING FROM THE FIRST QUARTER OF FY21

Are valuations likely to remain high?

Because of the above factors and a risk-on trade globally, we will continue to see valuations remain at elevated levels. We think the market is fairly valued and don't expect the multiples to re-rate further. There could even be some mean reversion of valuation multiples over the long term, as fundamentals and earnings growth catches up. Returns from the headline market could be slightly lower than earnings growth as multiples are already factoring in better earnings growth to some extent.

Will market polarisation continue?

While we don't expect a sharp correction in quality names, we could see the broader market catching up as domestic recovery plays out. Meanwhile, quality names in the frontline indices might consolidate, or move in-line with the markets. The broader market is linked more to the domestic economy and as the recovery plays out, earnings growth here can outpace the frontline stocks. Also, valuations are more reasonable there as the broader market has not participated in the rally over the last two years. There has been polarisation at the sectoral level, too, and beaten down sectors can see some normalisation.

In which sectors do you see investment opportunities?

Small-ticket consumer discretionaries could bounce back faster. The move from unorganised to organised players and increasing per capita income will benefit this segment. Better-managed private banks will continue to gain market share. Pharma also offers a good risk-reward opportunity. There are also select public-sector companies where we see good value. We like cement as an indirect play on infra and a possible revival in the housing sector play out.

Full interview on: www.business-standard.com

EVENTS THIS WEEK

Date	Particulars
06-Jan	India - Markit PMI composite & services
	US - Markit PMI composite & services
	UK - Markit/CIPS PMI services & composite
	UK - official reserves changes
	China - Caixin PMI composite & services
07-Jan	India - GDP annual estimate
	US - trade balance figures
08-Jan	US - ADP employment change
09-Jan	US - jobless claims
	Results: Tata Elxsi
	Dividend ex-date: RITES
10-Jan	India - industrial production figures
	Results: Infosys

Source: exchange/websites/Bloomberg
Compiled by BS Research Bureau

Top MFs maintain leadership, smaller players lose assets

JASH KRIPLANI

Smaller AMCs, which have had troubles with debt exposures, continued to see sharp erosion of assets in the December quarter. PGIM India MF saw an asset erosion of 62 per cent on a year-on-year (YoY) basis, with its average assets under management (AUM) slipping to ₹4,042 crore in the December quarter. For Indiabulls MF, its AUM declined 61 per cent YoY to ₹1,452 crore in the quarter. Among the larger players, Nippon India MF saw its asset base shrink 13.5 per cent to ₹2.04 trillion. Meanwhile, fund houses gaining traction for their equity schemes performance saw a strong jump in assets. For Mirae MF, its AUM rose 87 per cent to ₹39,349 crore. For Axis MF, the jump was 50 per cent, with assets at ₹1.2 trillion in the December quarter. Among top players, SBI MF saw its asset base increase 33 per cent to ₹3.52 trillion. HDFC MF and ICICI MF saw their assets rise 14.2 per cent (rising to ₹3.82 trillion) and 17 per cent (rising to ₹3.6 trillion), respectively.

GAINERS & LOSERS

In percentage terms	AUM change % (q-o-q)	Avg. AUM in Dec-Qtr (₹ crore)
MFs that have seen most growth in AUMs in the December quarter		
Mirae MF	87.0	39,349
PPFAS MF	75.8	1,575
IDFC MF	62.0	64,582
Axis MF	50.0	1,22,867
Mahindra MF	40.0	5,258
MFs that have seen sharpest de-growth in AUMs in the December quarter		
PGIM India MF	-62.0	4,042
Indiabulls MF	-61.0	1,452
JM Financial MF	-50.0	5,683
IDBI MF	-40.8	8,599
Nippon India MF	-13.5	2,04,370

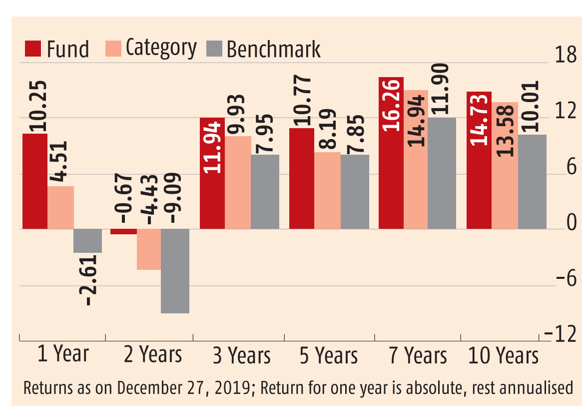
*Fund houses with more than ₹2,000 crore assets in base period considered
Source: Amfi

[FUND PICK] DSP MIDCAP FUND

Effective stock selection aids outperformance

DSP Midcap Fund was launched in November 2006. It featured among the top 30 percentile in the mid-cap category of CRISIL Mutual Fund Ranking (CMFR) for the last three quarters ended September 2019. The fund is managed by Vimit Sambre since July 2012, along with Resham Jain and Jay Kothari who have been managing the scheme since March 2018. During the past three years, the assets under management of the scheme more than doubled from ₹2,499 crore in December 2016 to ₹6,771 crore in November 2019.

The investment objective of the scheme is to generate long-term capital appreciation from a portfolio that is substantially constituted of equity and equity-related securities of mid-cap companies.



Returns as on December 27, 2019; Return for one year is absolute, rest annualised

Trailing returns

The fund has consistently outperformed the benchmark (Nifty Midcap 100 TRI) and its peers (funds ranked under the mid-cap funds category in September 2019 CMFR) in all the trailing periods under analysis. An investment of ₹10,000 in the fund on November 14, 2006 (inception of the fund), would have grown to ₹57,223 as of December 27, 2019, at an annualised rate of 14.21 per cent, compared to the category and the benchmark that would have grown to ₹41,553 (11.46 per cent annually) and ₹40,085 (11.16 per cent annually), respectively. Systematic investment plan (SIP) is a disciplined mode of investing offered by mutual funds through which one can invest a certain amount at regular intervals. Monthly investment of ₹10,000 for the last 10 years in the fund, totalling ₹12 lakh, would have grown to ₹26.37 lakh (15.08 per cent annualised returns), compared to ₹20.58 lakh (10.43 per cent annualised returns) in the benchmark as of December 27, 2019.

Portfolio analysis

During the past three years, the fund has maintained predominant allocation to mid-cap stocks with an average exposure of 53.85 per cent. Exposure to large- and small-cap stocks averaged 15.77 per cent and 23.85 per cent, respectively, during this period. Post March 2018, the fund has increased allocation to mid-cap stocks in compliance with the Securities and Exchange Board of India's reclassification of mutual funds.

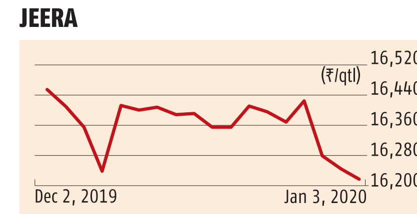
The portfolio was diversified across 28 sectors in the past three years. Banks had the highest average allocation of 10.93 per cent, followed by finance (9.41 per cent), industrial products (8.93 per cent), pharmaceuticals (7.18 per cent) and auto ancillaries (6.95 per cent).

The fund invested in 107 stocks in the past three years and consistently held 23 stocks. Of the consistently held stocks, 13 outperformed the fund's benchmark during the period under analysis. SRF, Ipca Laboratories, and Manappuram Finance have been the major contributors to the fund's performance in the last three years and were consistently held during this period. Bajaj Finance and PI Industries were other major contributors to the fund's performance during this period.

CRISIL Research

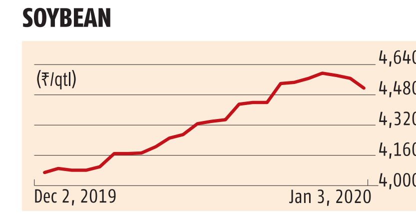
COMMODITY PICKS

JEERA



Jeera is trading at ₹16,217 per quintal in Unjha. Prices are expected to trade lower at ₹15,800 per quintal over the next couple of weeks given ample stocks across the value chain and a sharp increase in sowing for the upcoming season.

SOYBEAN



Soybean at the benchmark Indore market is trading at ₹4,516 per quintal. Prices are expected to trade weak and head towards ₹4,480 per quintal this week. Poor demand at higher levels and liquidation by stockists due to the steep rally seen recently would keep prices under pressure.

Prerana Desai,
Research Head - Edelweiss Agri Services and Credit

VALUE OF ₹1 LAKH INVESTED IN VARIOUS ASSET CLASSES

	SENSEX	GOLD	SILVER	FD (SBI)	PPF
1-YEAR	1,16,757	1,25,372	1,22,047	1,06,650	1,08,000
1-YEAR POST-TAX RETURNS	1,16,757*	1,17,761	1,15,433	1,04,655	1,08,000
5-YEAR	1,48,683	1,49,554	1,28,929	1,48,641	1,51,757
5-YEAR POST-TAX RETURNS	1,48,683*	1,44,599	1,26,037	1,32,408	1,51,757

*Note: Cumulative equity gains up to ₹1,00,000 in a financial year are tax-free. All post-tax returns are calculated for an individual in the 30 per cent tax bracket, without considering the indexation benefit

As on January 3, 2020, in ₹; compiled by BS Research Bureau

Secondary market buying of gold bonds isn't easy

Buy only if you can hold till maturity; if you are a short-term investor, ETFs work better

SARBAJEET K SEN

With returns of over 20 per cent, gold gave the best returns in 2019 to Indian investors. And given the global turmoil — US's attack on Iran, Brexit and other uncertainties — the yellow metal may turn out to be a haven even in the coming year. No wonder, this asset class is finding favour with both analysts and investors. Today, there are many options to invest in gold – physical or digital, exchange-traded funds (ETF), fund-of-funds or sovereign gold bonds (SGB).

As physical gold does not give any interest or dividend, fans of the regular income usually prefer SGB over bullion and gold ETF. However, SGB issuances are not available round the year. Either you have to wait for a new issue or buy it from the secondary market. If you are keen to take exposure to gold via SGBs, is it wise to buy from the secondary market?

SGB in a nutshell: SGBs are issued by the Reserve Bank of India on behalf of the Government of India, and each bond is expected to track the price of one gram of gold. The bonds are issued for eight years. However, they can be encashed or redeemed on the interest payment dates after five years from the date of issuance. The bonds pay interest at the rate of 2.5 per cent on the initial amount of investment – payable semi-annually. SGBs come with a sovereign guarantee and are listed at the stock exchanges. The bonds are tradable if held in Demat form and transferable to other eligible investors.

Is it an attractive investment? Like any other instrument, it is the function of market performance. SGBs will do well if gold prices remain stable. Going by the past decade's performance (2010-2019), gold has returned 8.7 per cent compound annual growth rate, significantly less than 13.9 per cent CAGR in the previous decade (2000-2009). Commodity experts feel there are multiple drivers which will lead to firm gold prices. "Geo-political tensions, precarious recovery in global growth, dovish stance by major central banks, rise in negative-yielding assets, a perceptible de-dollarisation in economies like China and Russia are positives for gold. With deflation lurking around the corner, the US Federal Reserve may go for more rate cuts which are expected to sustain the momentum in gold prices. Hence, investing in SGBs can be a wise decision for a conservative investor," Alok Agarwala, head, research & advisory, Bajaj Capital, says.

If you believe gold prices will group, then you should have exposure to the yellow metal as an asset class. Anyway, most experts would recommend some gold from a portfolio hygiene perspective because it provides the much-needed diversification from equities and debt. And experts seem bullish about it in the coming year as well. "There is room for a 10 per cent increase from current levels in 2020. With a host of uncertainties like macro-economic shifts in global markets, low global growth followed by easy monetary policy of central banks, US-China trade war, geopolitical risks and uncertainties, Brexit plaguing the global economy, gold as an asset class will be favoured by investors in 2020," Prathamesh Mallya, chief analyst, non-agri commodities and currencies, Angel Broking adds.

Buying from the secondary market: SGBs are listed both on the Bombay Stock Exchange and National Stock Exchange platforms. Since they were issued from time to time over the past few years, there are many series of SGBs. The problem: They are not liquid, and only a few get traded on most days. Most series are dry for want of volumes.

DIFFERENT OPTIONS FOR INVESTORS

Particulars	SGB	Gold ETF	Physical gold
Scope of Capital appreciation	Yes	Yes	Yes
Interest	Yes @ 2.5% a year	No	No
Sovereign guarantee	Yes	No	N/A
Liquidity	Tradable on exchanges; Redemption permitted after 5 years	Highly liquid	Good liquidity
Storage/insurance charges/quality check	No	No	Yes

Source: Angel Broking

MOST ACTIVELY-TRADED BONDS

As on Jan 3, 2020

Symbol	Issue price	Last traded price	% change#	Traded units
SGBAUG27	3,499	3,725	0.8	1,466
SGBAUG24	3,119	3,815	1.5	738
SGBSEP24	3,150	3,820	1.3	206
SGBNOV24	2,957	3,769	0.7	201
SGBJUL25	2,780	3,770	0.6	165
SGBMAR25	2,893	3,770	1.4	104

#Change over prev close

Source: NSE website

SGBs are long-term instruments. One has to be mentally prepared to hold on to them until maturity. If you have a trading mindset, then avoid investing in SGB as you may not get an exit at fair value on the exchange. "Although SGB's are traded in the secondary market, one has to be careful as price and liquidity risk exists in this market. There may not be enough buyers for the quantity offered, and even the price might be lower," Mallya warns.

Currently, SGB trade on the exchanges at discounts ranging from 3-10 per cent to the gold prices in the spot market. If the situation does not change then you too may have to sell the SGB at such a discount if you decide to exit before maturity. "Investors need to be wary of the abysmally low liquidity associated with SGBs. In fact, liquidity-induced price discount is like a double-edged sword. While attractive valuations can entice you into enter, finding a profitable exit can be a difficult proposition. What's more, if the bonds are sold before maturity, capital gains tax will apply. It is, recommended to stay invested till maturity," Agarwala said.

SGB versus gold ETF: If you are keen to buy gold for a year or two and want to trade in it, then gold ETF is a better option. If you are eager to purchase large quantities and worried about liquidity in gold ETF units, then you can also buy a fund of funds investing in gold ETF units. They guarantee exit at net asset value, though at slightly higher expenses. "For investors who always want liquidity, gold ETFs are a better bet. For those who can afford to hold till maturity, SGBs are surely a better option," Agarwala said.

An agenda for the Budget

Even persons with savings are wary due to low growth in per capita income

MARKET INSIGHT

DEVANGSHU DATTA

Talented chess players and musicians often perform effortless feats of memory, which seem like magic. A musician will hear a tune once, and reproduce it perfectly. A chess player will recall thousands of games in their entirety. These feats are contextual and driven by pattern perception. Chess players recognise and remember the interactions of the pieces and pawns in patterns; they cannot recall a random setup of pieces as effectively. Musicians recall tunes; they don't remember a random set of discordant notes as easily.

Something similar occurs in investment. Good investors don't necessarily recall specific numbers in balance sheets; they have a sense of how the numbers interact with each other in good businesses. They might or might not recall say specific details of the cash flow or stated profits in a given company, but they will recall if those numbers seemed consistent with each other. This, and other relationships, will tell them if the business is sustainably profitable and if the promoters are honest.

Working through macroeconomic data for a similar take on the health of a nation is a similar exercise in pattern perception. Any given number could look good or bad but the ways in which the numbers relate to each other must have overall consistency. That consistency is lacking now in that a lot of numbers suggest the economy is doing badly while gross domestic product (GDP) growth supposedly continues at reasonably high rates.

All the high speed data indicates that consumption has slowed considerably. If you take Goods and Services Tax (GST) collections as a proxy for non-government growth, the picture is very gloomy. Between April — December, GST collections have been about 3.5 per cent higher, year on year. That's nominal. The nominal growth expectation for GST collections in the Budget was close to 20 per cent.

The inflation indices have run at between a low of 1 per cent (wholesale) and a high of 4.5 per cent (consumer Price) during April-October. The deflator is likely to be somewhere between those two figures. If we assume some degree of inflation, the GST collections suggest non-government activity grew very slightly, or not at all. The official estimate is non-government GDP is running at around 3.5 to 3.8 per cent in real terms.

About 60 per cent of GDP comes from consumption and consumption accounts for an even larger chunk of non-government activity. Tie the GST numbers to other known indicators of consumption, such as vehicle sales, biscuit sales, freight movements, power consumption, etc., and the assumption that consumption is down, gets stronger. One estimate is that consumption is growing at around 5-7 per cent in 2019-20 versus a decade long trends where it has always grown at close to 20 per cent. (These are nominal numbers, not net of inflation).

Any policy thrust that attempts to revive GDP growth rates has to aim to lift consumption growth. The Budget should be aimed at that and so should non budgetary policy. The government has already tried other measures such as corporate tax cuts and it has also expanded government expenditure to somewhat dangerous levels. While corporate tax cuts boosted profits for some companies, it hasn't resulted in higher investment, and it won't, until consumption picks up.

Any policy thrust that attempts to boost GDP growth has to aim to lift consumption

How can consumption be encouraged? One way would be to cut income tax rates. Another could be instructions to PSU banks to push their retail loans portfolio, perhaps by cutting personal loan rates. A third method would be to encourage deep discounts in e-commerce — this would reverse policy decisions in that sector. A fourth method could be to rationalise GST rates, pulling down items in the 28 per cent list to the 18 per cent level, and others.

It would be surprising if the Budget didn't incorporate some policy such as the above and these would all impact consumption-dependent businesses positively. This would have to be backed up by talking up consumption, and by policy designed to create employment.

The average consumer is seeing a trend of high unemployment and also a low growth in per capita income for the employed. So even persons with savings are wary of committing themselves. Policy aimed at encouraging sectors that generate employment could be part of the Budget package. That's areas like real estate, construction and retail. Assuming the Budget is rational, these are the areas to watch out for.

PERSONAL LOAN WORKS FOR THOSE WHO DON'T LIKE SURPRISES

BINDISHA SARANG

- An important benefit of a personal loan is that it offers a fixed repayment schedule and a fixed interest rate.
- It works for those who need to borrow money, wants to know, and set aside monthly payment ahead of time and don't want any surprises of larger-than-usual EMI along the way.
- If you have a significant expense and need time to pay off over several years, a personal loan is a good option as it gives you a tenure of five years.
- If you have substantial high-interest debt, like a couple of credit cards debt, and you want to consolidate this high-interest debt into a new loan at a lower rate, avail a personal loan.
- Most lenders are willing to lend you a maximum loan amount up to 10 times of your monthly salary. But if you borrow too much, your budget might go for a toss.
- **Skip personal loans –** when you splurge for a holiday, new iPhone or lifestyle expense you cannot afford.

PERSONAL LOAN - RATES AND CHARGES

Name of lender	Interest rate (%)	Processing fee	Loan amount	Maximum Tenure
Citi Bank	10.5-18.99	Upto 3% of loan amount	50,000-30 lakh	5 years
HDFC Bank	10.75-21.3	Upto 2.5% of loan amount	50,000-40 lakh	5 years
State Bank of India	10.5-14.9	Upto 1.5% of loan amount	Upto 20 lakh	7 years*
Bank of Baroda	11.4-16.4	2% of loan amount	50,000-10 lakh	5 years
Axis Bank	12-24	Upto 2% of loan amount	50,000-15 lakh	5 years
ICICI Bank	11.25-22	Upto 2.25% of loan amount	50,000-20 lakh	5 years
Union Bank of India	10.1-14.2	Upto 0.5% of loan amount	Upto 15 lakh	5 years
South Indian Bank	11.15-14.25	2% of loan amount	1 lakh-25 lakh	5 years
Federal Bank	11.49 onwards	Upto 3% of loan amount	Upto 25 lakh	4 years
IDBI Bank	12-14	1% of loan amount	25,000-10 lakh	5 years
Kotak Mahindra Bank	11.50-24	Upto 2.5% of loan amount	50,000-15 lakh	5 years
Oriental Bank of Commerce	9.95-11.80	Upto 1% of loan amount	Upto 10 lakh	5 years
Bank of Maharashtra	10.85-11.85	1% of loan amount	Upto 10 lakh	5 years

*For Defence Pensioners

Source: Paisabazaar.com

Home is where the hearth is

There are several options in the market — from wood-fired ones to those that run on biofuels. Some can be installed in flats as well

NAMRATA KOHLI

Fireplaces are no longer just fantasy, and people have been using them to get more than a little relief from the harsh cold in northern India — especially this year, with temperatures in Delhi dropping to their lowest in more than century in December. And besides residential interiors, architects are also adding fireplaces to hotels and resorts, to create a warm ambience and add to aesthetics, apart from imparting utility. Recently Poland-based Planika installed the first bio-ethanol fireplace on a yacht as well.

What's available? To put it simply, a fireplace is a structure made of brick, stone or metal designed to contain a fire. There are different types, such as wood, pellet, gas, electric and ethanol-based fireplaces. The current bestsellers in the market are the ventless ethanol and electric ones because they are practical, affordable and eco-friendly. People still love the traditional, wood-burning fireplace, but due to factors such as safety and environmental sustainability, electric and gas fireplaces have become commonplace. Also, the installation of wood and gas fireplaces is cumbersome as it requires a chimney pipe to terminate either outside a wall or through the roof. Electric and ethanol fires are a lot simpler as they require no vent or chimney.

Fireplaces can be divided into two broad categories, primarily — indoor and outdoor. They can be further subdivided based on the fuel used, such as bio-ethanol and gas. The price range starts from ₹35,000 for a simple burner to ₹10 lakh-plus for a single-unit. Besides the "real fire" hearths, you even have artificial ones that are getting very popular. These are the kind with fire appearing on an LED screen. You can change the colour and crackling sounds of the fire, and can also control the heat levels of the appliance.

Demand drivers: "The demand is typically from HNIs and second-home owners, individual hill-home owners and a few resorts in Kodaikanal, Ooty, Conoor, Uttarakhand, Himachal Pradesh and Rajasthan," says Viraj R Chopra, spokesperson, StoveIndia. Constructing a fireplace in a new home is a lot easier. "I would still say that compared to Europe, North America and Australia, where the climate is colder, and the winters are longer, demand in India is low," says Daniel Belnick, Director Master Fireplaces. Belnick adds that there is a gradual increase in fireplace interest, as affluence in India grows and the perceived value of fireplaces increases.

Setting up: Modern fireplaces are easy to install. Nowadays, there are suspended fireplaces and some free-standing wood stoves that occupy a very small footprint. Manufacturers also offer some larger wood- or gas-fired or biofuel fired contraptions measuring 2.8 meters in length and only nine inches in width.

According to Navin Kanodia, Interior Stylist & Creative Director, S T Unicom Pvt Ltd, "Indoor fireplaces are very easy to install and more like DIY (do-it-yourself). It is a patented technology that offers the cleanest combustion, natural golden flames and long burning time. No chimneys are required for the bioethanol types.

Safety aspect: Contemporary fireplaces are high on safety. Kanodia explains that fireplace units have microprocessors and advanced safety sensors, such as child safety sensor, fuel sensor, over-heating sensor, external temperature sensor, seismic activity sensor and many more safety sensors that are required for indoor fireplaces. However, a lot of Indian consumers are using outdoor fireplaces indoors. Outdoor fireplaces are operated manually with the help of "lighters" and poses a big risk to life, health, property and surroundings. If you are installing a gas fireplace, flue systems (chimney) would be required indoors.

SAFETY MEASURES

- In a gas fireplace, the shut-off should be easily accessible
- In pellet fireplaces, do not touch the front glass and metal chassis while the system is on. Clean the vent regularly
- In electric fireplaces, ensure the unit is connected to a properly-grounded outlet. Keep liquids away from the unit at all times
- Install both smoke and carbon monoxide detectors Test them every month

NOT TOO EXPENSIVE

Fireplace type	Installation cost (₹)*	Fireplace cost (₹)	Running cost (₹)
Wood	15,000	1.5 lakh	25/hr
Gas	25,000	2.2 lakh	70/hr
Electric	5,000	80,000	₹ 3-4/hr
Ethanol	10,000	80,000	₹ 150-250/hr
Pellet	15,000	2.5 lakh	n/a

Source: MasterFireplaces India

Will target US military sites, says Iran

- US HAS TARGETED 52 IRANIAN SITES, WILL HIT IF TEHRAN RETALIATES: TRUMP
- IRAQ PARLIAMENT VOTES TO EXPEL AMERICAN TROOPS
- GULF MARKETS PLUNGE, ARAMCO SLIPS 1.7% TO ITS LOWEST SINCE IPO
- EXTERNAL AFFAIRS MINISTER S JAISHANKAR SPEAKS WITH HIS IRANIAN COUNTERPART, SAYS INDIA DEEPLY CONCERNED

AGENCIES
Washington, 5 January

US President Donald Trump on Sunday said that the US has identified 52 Iranian sites it would hit if Tehran retaliates against the assassination of Iranian General Qassem Soleimani, stepping back from more conciliatory comments he made after the drone strike on the Islamic Republic's most powerful military commander.

Trump's tough talk late on Saturday followed Tehran's threat of a protracted response, and eclipsed his assertion a day earlier that the US hadn't launched the attack near Baghdad airport on Thursday to "start a war." It also seemed to reverse the efforts of Secretary of State Michael Pompeo, who in the past two days has repeatedly reaffirmed that the US remains committed to defusing tensions with Iran as he talked with officials across the West Asia and Russia. Stocks in the Gulf went into retreat.

In a strong response, the military adviser to Iran's Supreme Leader said Tehran's response to the killing by the US of its most most influential general will "for sure be military". Major General Hossein Dehghan told *CNN* that Iran would retaliate directly against US "military sites".

Iranian lawmakers chant anti-American and anti-Israeli slogans at the start of an open session of parliament in Tehran to protest against the US killing of Iranian top general Qassem Soleimani PHOTO: PTI

Mourners take to streets

Soleimani's body arrived in Iran on Sunday, and thousands of mourners poured into the southwestern city of Ahvaz to attend services and sermons, according to footage on state TV. The body will be taken to funeral processions across the country before his burial, expected Tuesday, in his southeastern hometown of Kerman, state TV said.

In Baghdad on Saturday, thousands attended memorial services for the general and a powerful Iraqi militia commander also killed in the strike. Iraq's parliament is due to hold a session Sunday to discuss whether it's time for US troops to withdraw.

"Iran will have to first settle a score with the US" over the killing of Soleimani before discussing the prospect of Iran-US talks, foreign ministry spokesman Abbas Mousavi said in Tehran on the 2015 nuclear agreement.

Bracing for response

The West Asia has been girding for vengeance and a possible escalation of the proxy war between the US and Iran that's been playing out for years. Iranian President Hassan Rouhani vowed on Saturday that the US will witness "the effects of their mistake for "many, many years to come," and another Iranian official told the state broadcaster that three dozen US military bases and facilities are within reach of Iran's defense forces, the closest in Bahrain.

Gulf states that are possible targets for Iranian reprisal urged calm as the prospect of a new conflict in the world's top energy-exporting region loomed. Tehran's capacity for retaliation may be crimped, however, by the dire condition of the Iranian economy, which has been clobbered by American sanctions reimposed after Trump withdrew from the landmark nuclear accord in 2018. Moreover, months of anti-government protests have challenged the regime's dominance at home, as well as in Iraq and Lebanon, where Soleimani worked with proxy militias that extended Iran's reach across the West Asia.

There was some immediate fallout, however. Rockets slammed on Saturday into Baghdad's Green Zone, which contains the US Embassy and an airbase that houses American troops. No coalition casualties were reported.

Trump justifies Iraq strike

Trump said he approved the strike in Iraq because Soleimani was plotting "imminent and sinister attacks" against American diplomats and military personnel, though he provided no evidence to back up that claim. Some 3,500 additional US troops were ordered dispatched to the region after Soleimani's assassination, to join more than 50,000 personnel already there.

The killing sent global markets reeling. Oil futures in London and New York at one point surged by more than 4 per cent, gold hit the highest in four months and 10-year Treasury yields headed for the biggest drop in three weeks. The S&P 500 Index declined.

Aramco sinks

Saudi Arabia's Tadawul market, the largest in the region and one of the world's top 10, was trading 2.4 per cent down with most shares in the red. Saudi Aramco, the world's biggest listed firm, shed 1.7 per cent to trade at 34.55 riyals and its capitalisation now stands at $1.84 trillion — well under the $2.0 trillion sought by Saudi rulers.

Aramco had priced its landmark initial public offering at 32 riyals ($8.53) per share and it soared the maximum limit to 35.2 riyals on its December 11 market debut.

"Investors who were hoping for lower geopolitical tension in the West Asia, North Africa region in 2020 got their hopes dashed on the second day of the year," said Mohammed Ali Yasin, chief strategy officer at Abu Dhabi-based Al Dhabi Capital. "2020 will continue to be a year of high geopolitical tensions in our region."

Soleimani, who headed the unit responsible for the foreign operations of the powerful Islamic Revolutionary Guard Corps, was a household name in Iran where he's celebrated for helping to defeat Islamic State in Iraq and Syria and countering US influence. He'd been sanctioned by the US since 2007, and in May, Washington designated the Guards a foreign terrorist organisation. Iran named Esmail Ghaani, another veteran of West Asian conflicts, as Soleimani's replacement.

Preceding US administrations had balked at assassinating the general, wary of the repercussions despite his responsibility for hundreds of US fatalities. Democratic lawmakers have criticised Trump for acting without notifying Congress.

The N-deal issue

Ever since the US pulled out of the Iran nuclear deal in 2018, then doubled down with a campaign to cripple the Iranian economy through sanctions, hostility between the countries has threatened repeatedly to erupt into a broader confrontation. A defiant Iran has revved up its nuclear fuel programme, and is blamed by Washington for attacks on oil tankers in the Persian Gulf, and for a strike on Saudi Arabian facilities that briefly knocked out 5 per cent of global crude supply.

Iran has denied responsibility for those attacks.

World asks for de-escalation

The UK repeated its call for de-escalation and the EU expressed concern about the increasing tensions in Iraq, including the killing of Soleimani. Josep Borrell, the commissioner for foreign and security policy, invited Iranian Foreign Minister Mohammad Javad Zarif to Brussels to continue engagement, reiterating the importance of preserving the nuclear deal. Borrell "urged Iran to exercise restraint and carefully consider any reaction to avoid further escalation, which harms the entire region".

India's concern

Amid spiralling US-Iran tensions, External Affairs Minister S Jaishankar on Sunday had a conversation with his Iranian counterpart Javad Zarif and said India remained deeply concerned about the levels of tension in the region. Jaishankar noted that developments have taken a very serious turn.

"Just concluded a conversation with FM @JZarif of Iran. Noted that developments have taken a very serious turn. India remains deeply concerned about the levels of tension. We agreed to remain in touch," the External Affairs Minister tweeted.

Iraq to expel US troops

Iraq's parliament voted to expel US troops from the country in response to the assassination of a powerful Iranian military commander by an American drone in Baghdad.

A Lebanese proxy nurtured by the slain general, Qassem Soleimani, vowed to attack American soldiers and bases as Gulf Arab states tried to head off the kind of retribution that would plunge the combustible region into a broad military confrontation.

Growth in number of students from India to US continues to fall

VINAY UMARJI
Ahmedabad, 5 January

The number of Indian students going to the US for education is falling over the years, reports suggest.

According to the latest Open Doors Report on International Educational Exchange, the annual growth of Indian students to the US has been falling from 12.3 per cent in 2016-17 to 5.4 per cent in 2017-18 to 2.9 per cent in 2018-19. Second only to China for sending students outside for studies, India's numbers to the US has grown merely from 186,267 in 2016-17 to 202,014 in 2018-19.

The 'Early Warning Signals: Winners and Losers in the Global Race for Talent' report by Graduate Management Admission Council (GMAC) has shown percentage of Indians sending their Graduate Management Admission Test (GMAT) scores to US business schools fell from 57 per cent in testing year 2014 to 45 per cent in testing year 2018. During the same period, percentage of Indian GMAT test takers sending their scores to Indian schools rose from 15 per cent to 19 per cent. The reports attribute the dwindling trend to lack of student-friendly policies and stringent visa norms in the US and more relaxed regulations by other competing destinations like Canada, Australia, Germany, and the UK.

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The last date for filing tax returns is July 31

DILASHA SETH
New Delhi, 5 January

The Income Tax Department on Sunday notified two income-tax returns for assessment year 2020-21 three months in advance, bringing more individuals into the mandatory return filing net.

The department notified ITR 1-Sahaj and ITR 4-Sugam in January against the usual practice of notifying returns in April, with disclosure requirements related to cash deposits, spending on foreign travel, and electricity.

ITR 1-Sahaj is for individuals having an annual income of up to ₹50 lakh from salaries, a house, interest income, family pension income, etc. The form will require passport details.

ITR 4-Sugam is for individuals who have an annual income of up to ₹50 lakh, but have a house, deposited more than ₹1 crore in a bank account or incurred ₹2 lakh on foreign travel or ₹1 lakh on electricity, said Naveen Wadhwa, deputy general manager, Taxmann.

This form will also be applicable to Hindu undivided families (HUFs) and firms (other than limited liability partnerships) having an annual income of up to ₹50 lakh, a house (single ownership), having an income from a business and profession computed under a presumptive basis, among other things.

Wadhwa said an individual taxpayer could not file returns either in ITR-1 or ITR-4 if he was a joint-owner of a house.

The income earned during 2019-20 is assessed in 2020-21.

The notification of the returns followed Budget announcements making income-tax return filing mandatory for certain persons even if their income was below the taxable limit. These include people depositing ₹1 crore and above in current accounts, spending at least ₹2 lakh on foreign travel, incurring electricity bills of ₹1 lakh or more, etc.

Earlier, an individual was required to file a tax return only if his income exceeded the minimum threshold.

With the Budget announcement, people who can spend large amounts will not be able to escape paying taxes or filing returns. "Usually, the Income Tax Department notifies the ITR forms in the first week of April of the relevant assessment year. However, in contrast to the old practice the department has notified two ITR forms — ITR-1 and ITR-4 — for the assessment year 2020-21 in the first week of January," said Wadhwa.

Archit Gupta, founder and chief executive officer, ClearTax, said forms had been released well in time and hopefully scheme will be out soon.